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ABSTRACT

A field study was conducted of the status of cable television in Sedalia, Missouri. Based on interviews of city council members and staff members of Cablevision, the Sedalia cable franchise holder, the following issues were investigated: (1) subscription rates; (2) franchise negotiations; (3) quality of existing services; and (4) possible additional services. It was concluded that the station should separate from its parent corporation, that a new management plan should be pursued, and that communication between the city council and the staff of the station should be improved. This report describes the background of the study, reviews the methodology employed, and summarizes the results and conclusions. (EMH)

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CABLE TELEVISION IN SEDALIA, MISSOURI

by

Kathryn Janel Ramsey Lamkin

An Abstract

Of a thesis submitted in partial fulfillment of the requirements for the degree of Master of Arts in the Department of Mass Communication
Central Missouri State University

May 1976

Thesis supervisor: Associate Professor John P. Smead

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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ABSTRACT

An exploratory field study was conducted of cable television in Sedalia, Missouri. Interviews were conducted with members of the Sedalia City Council and four staff members of Cablevision.

Areas investigated included subscriber rate increase request, franchise negotiations, communication between the City Council and Cablevision, quality of service being provided, other services that Cablevision could or should provide, failures and successes of cable TV in Sedalia, and the future of cable TV in Sedalia.

Members of the City Council were interviewed about their evaluation of the three managers Cablevision has had since it began operations. Financial data were obtained so that management effectiveness could be evaluated. A financial analysis was conducted and is included with the financial data.

The study concluded that: (1) cable TV in Sedalia could be operated more effectively if it were separated from the parent corporation, or under different management policy; (2) a new franchise is needed which is more descriptive, flexible, and concrete; (3) better lines of communication need to be established between the City Council and the cable TV system operator.

Abstract approved: Robert P. Knead, thesis advisor

Associate Prof. Mass Comm., title and department

May 18, 1976, date

CENTRAL MISSOURI STATE UNIVERSITY

WARRENSBURG, MISSOURI

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TABLE OF CONTENTS

Chapter		Page
1.	INTRODUCTION TO THE STUDY	1
	Background	2
	How Cable Television Works	4
	Why the Excitement About Cable?	5
	Problems Cable Has Encountered	7
	Review of Literature	16
	Rand Corporation Publications	16
	Other Studies about Cable	23
	Periodicals	36
	Summary	37
2.	METHODOLOGY	38
	Research Design	38
	Data Collection Methods	41
	Sampling	42
3.	RESULTS	44
	History of Sedalia Cable Television	44
	The Interviews	57
	Procedures for the Interviews	57
	Results: City Council Members' Interview	57
	Summary	66
	Employee Interviews	68
	Background of Employees	68

Results: Manager's Interview 70

Summary: Manager's Interview 73

Results: Other Employees' Interviews 73

Summary: Employee Interviews 78

Other Interviews 79

Bill Hert Interview 79

Results: Hert Interview 79

Summary: Bill Hert Interview 80

Interview: Dr. William E. McTeer 80

Results: Dr. McTeer 81

Summary 82

Results and Summary of Financial Analysis 83

Correlation of Results 84

4. CONCLUSION 88

Observations 89

Conclusions 98

Limitations of the Study 98

Implications for Further Study 99

APPENDIXES

A. RESULTS OF BIDS 102

B. SUMMARY OF COUNCIL MEMBER RESPONSES 104

C. FINANCIAL ANALYSIS OF CABLEVISION, INC. OF SEDALIA, MISSOURI 107

REFERENCES 132

Chapter 1

INTRODUCTION TO THE STUDY

The Committee for Economic Development (1975) pointed out that the United States is entering an era in communications which will provide access to a new diversity and abundance of electronic channels and voices. Because the airwaves are a "scarce public resource," they are regulated for the public benefit. Demand is outstripping the amount of electromagnetic spectrum that is available, and technology is responding through the expanded use of satellites, video cassettes, cable communications etc. The Committee for Economic Development (CED) stated:

> Ultimately, any person will be able to have instant audio-visual communications with any other person throughout the world. The question is no longer whether such a result is technically possible but whether it is economically feasible and socially desirable. (CED, 1975, pp. 13-14)

Cable television, also known as Community Antenna Television (CATV), cable communications, broadband communications, or simply cable, emerged as an answer to scarce airwaves. This Rand publication quote expresses the expectations of cable:

> Cable television is a communication system that distributes television signals and other information by wire rather than through the air. More than twenty years old, it is just now turning from infancy to adolescence. The changes are only partly technological, but an evolving technology provides the base for cable's economic development and its future usefulness to society. (Baer, Botein, Johnson, Pilnick, Price and Yin, 1974, p. 1)

Background

Community Antenna Television (CATV) started in the 1940's (Phillips, 1972, p. 4; Ledbetter & Mendelson, 1972, p. 5) in communities "to provide better quality reception and more channels of conventional broadcast television programming." (Holmgren, 1974, p. 6)

The Sloan Commission on Cable Communications (1971) cited Palm Springs, California, as typical of circumstances in which cable started. Palm Springs had a demand for Los Angeles television but because of terrain could not receive clear broadcast signals. An entrepreneur in Palm Springs set up an elaborate receiving antenna on top of a mountain and charged a fee to receive the seven VHF and three UHF channels from Los Angeles by means of a coaxial cable. (Sloan, p. 23)

Mary Phillips (1972) cited John Walson as the person to claim development of the first commercial cable system. Walson was a maintenance man for the Pennsylvania Power and Light Company. He also had an interest in an appliance store in the mountain-ringed town of Mahanoy City, Pennsylvania. Early in 1948 Walson devised a plan to help sell television sets in his appliance store. A master antenna was erected on a mountain top and sheathed wire from an army surplus store was purchased and used for his system. Anyone who purchased a television set from the appliance store would be hooked to the master antenna and receive the television signals. (Phillips, 1972, pp. 7-10)

The Sloan Commission (1971) pointed out that cable started in rural areas with radio and/or appliance dealers who invested in an elaborate antenna, set it on a high point of ground, and strung cable

in hopes of making a return on monthly fees charged and in the sales of television sets. Cable began as small enterprises, conducted locally and providing a purely local service. Cable provided television channels where reception was poor or limited. Cable enlarged the audiences of television stations and did not diminish the attraction of television but instead enhanced the appeal. (Sloan, pp. 23-2 People were willing to pay to receive more channels. Sydney Head (1972) stated:

> Only about 40 per cent of American families live in markets with four or more television stations; about a quarter of the families live in market areas served by only one or two stations. Yet ideally each American home should have access to a minimum of five stations--affiliates of the three national commercial television networks, at least one educational station, and one independent commercial station. (Head, 1972, p. 88)

Cable has expanded over the years since its beginning in the 1940's. In 1950 there were 70 CATV systems in the United States, serving a total of 14,000 subscribers. (FCC Annual Report 1970, p. 65) In 1974 there were 8,100,000 subscribers and 6,000 communities served. (Cable Sourcebook 1975, p. 5) In 1973 cable served 11.3 per cent of the households in the United States. (U.S. Department of Commerce, Bureau of the Census, 1974, p. 503) According to April 1970 figures 96 per cent of all households in the United States had one or more television sets. (U.S. Department of Commerce, 1974, p. 504) Cable has not penetrated a large percentage of households in the United States, yet cable is growing at a slow but steady pace. As cable was expanding so was the television broadcasting industry. "Television had become a predominant feature of the American scene, the primary instrument to which the mass of the population turned for entertainment and information." (Sloan, p. 24)

According to the Sloan Commission (1971) color television influenced cable's growth more than any other factor. VHF television signals tend to bounce off large obstacles rather than bend around them; thus a tall building reflects the signal and in doing so acts as a weak transmitter and rebroadcasts the signal at the same frequency as the station from which the signal originated. The result is interference, just as if two stations were broadcasting in the same region on the same frequency. Because the reflected signal is weak, the interference is not pronounced. On a black and white set it is barely noticeable, at worst it produces ghost images. But with color reception, which is more sensitive to interference, the result is an unsatisfactory picture. In a large city with tall buildings, cable improves reception on color sets. One of the first cities to use cable was New York City. Many innovative uses of cable have come from New York City. (Sloan, pp. 26-27) Subscribers wanted to get more for their money than clearer station reception. Special programs were initiated on what would have been unused channels. Cable transmissions included ticker news and a camera scanning weather data. New York City pioneered in providing a service that the rest of television did not provide--local athletic events and neighborhood programs. Cable programs of local interest helped attract and retain subscribers. (Sloan, p. 27)

How Cable Television Works

Cable television is a system by which television set owners receive television signals by coaxial cable rather than through the air by means of an antenna. The Detroit Cable TV Study Committee

(1972) explained the working of a cable system this way:

> The technologigy [sic] of 1949 is basically that used today: A receiving antenna, or a set of antennas, one for each station to be received, is placed on a high point where reception of television signals is best. The signals are sent from there to a "headend," a master control station, a building that houses signal processing and other equipment. Here the signals are filtered, amplified if necessary, and sometimes changed in frequency. From there the signals are sent over a coaxial cable, through the main trunk lines (with a diameter of about 3/4 inch) that go along the major distribution routes; which service groups of buildings; and through the even smaller droplines (about 1/4 inch . . .), which run into the subscriber's home and connect to the back of the television set. The cables commonly share telephone or electric power poles, or lie buried . . . in underground conduits. Amplifiers placed about every one-third mile along the cable keep the signal strong. (Detroit Cable TV Study Committee, 1972, p. 22)

Why the Excitement About Cable?

The following is a series of statements to express the excitement of expectation of cable. Price and Wicklein (1972) stated in Cable Television: A Guide for Citizen Action:

> The advantage of the wired system is that a large number of easily tuned-in, clear channels can be brought into your home. Even in the largest television market (New York), only seven easily accessible (VHF) television signals can come into your home over the air. (Price & Wicklein, p. 6)

Noll, Peck and McGowan (1973) in their book, Economic Aspects of Television Regulation: Studies in the Regulation of Economic Activity, stated:

> Cable holds the promise of all but eliminating the scarcity of channels that accounts for so many of the problems of television--restricted program choice, limited diversity, and highly concentrated control. (Noll, et al, p. 151)

The Cabinet Committee on Cable Communications (1974) reported to the President that cable has the technical potential to be a communication medium of abundant capacity, with an almost limitless

number of channels able to carry many types of communication. Also cable has a unique two-way capability to carry information. (Cabinet Committee, 1974, p. 9) Coaxial cable is like a 100,000 lane superhighway which can handle 50,000 telephone calls or 35 TV shows at the same time according to James Miller. (Miller, 1975, pp. 87-88)

Miller, in an article in Reader's Digest, stated:

> As the CATV people ran their lines along America's telephone poles, they were unwittingly installing the plumbing for a communications revolution. Indeed, as outside experts examined the number of simultaneous jobs the cable could perform, they saw a vision that boggled their minds. They called it the "Wired Nation"--computers wired to living rooms, living rooms to voting booths, classrooms, libraries, police stations, supermarkets, and on and on. You could have a newspaper printed in your living room in ten seconds, go credit-card video-shopping at home, have instant burglar- and fire-alarm service. (Miller, p. 88)

Richard Adler (1973) quoted expectations of cable in The Humanistic Claim on the Cable this way:

> . . . bring opera to Odessa, Broadway to Bayonne, adult education to Appalachia, "soul" to Watts and Bedford Stuyvesant, and sports--megahertz upon megahertz of sports--to superspectators wherever they are. The "television of abundance" will be a medium of joy as well as the "soap box" of our discontent. . . . Cable television, we are told, will be able to do what UHF stations, public broadcasting, network documentaries, local specials, amateur hours and even Dick Cavett have not been able to do, namely increase the content, variety, and breakdown the audience scales of television. Tropical fish hobbyists, karate enthusiasts, cerebral palsy victims, and retired musicians will each find a niche in the coaxial honeycomb. (Kalba, 1972, pp. 195-198 as quoted by Adler, 1973, pp. 30-31)

The basic product of cable is reproduction of over-the-air signals. But cable systems are also originating programs in their own studios or leasing channels to others to originate programs. Ted Ledbetter (1972) stated:

> . . . cable television has begun to offer an alternative to mass audience, network produced, advertiser supported, commercial television. . . .

> The demand for cable access is expected to grow rapidly in the next ten years as cable systems are built in the big cities. The rate at which this demand grows, and the degree to which cable meets the needs and desires of people will depend heavily on the content, management, technology, and financing of cable origination. (Ledbetter, as quoted in Tate, 1972, p. 39)

Predictions for the year 2000 indicates nearly all television, both local and national, will be received from cable communications instead of by air to the individual home. Rural areas isolated for one reason or another may still be dependent on home antenna reception, although satellite technology could possibly reach these isolated rural areas. (Price & Wicklein, 1972, p. 7)

Problems Cable Has Encountered

Finances, political involvement, regulation, and technology are just a few of the problems cable has encountered over the past twenty years. Broadcasters have over the years felt threatened by cable. In his book, Television, the Business Behind the Box, Les Brown (1971) stated that cable television and the video cassette were the main technological "menances" to existing broadcast stations. Brown summarized the cable threat this way:

> So serious was the cable threat, and so imminent its spread over the country through the FCC's determination to establish operating rules, that the National Association of Broadcasters retained the New York public relations firm of Phil Dean Associates to augment its own campaign of alarms to the citizenry that cable was endangering the American system of free television. . . .
>
> The system that delivered a television picture by wire rather than over the air . . . was a real and present danger to the broadcaster. Refinements in cable technology gave systems the capability of forty-channel services, a prospect that would enable the medium to serve selective audiences usually shut out of free television because of its profitable addiction to mass-appeal programing. (Brown, 1971, pp. 160-161)
>
> . . . cable could supplant the program rating services that project their numbers from probability samples and perform such

> functions of two-way communications that would allow the housewife to order her groceries over the line. Linked to computers, cable systems could retrieve programs that had already been broadcast on the air for viewers who wanted to save them for the next day or the next month. (Brown, p. 161)

In 1970, according to Brown, the prospect of cable doing local origination or wiring homes to receive data did not worry the broadcaster as much as "CATV on a national scale fractionalizing the television audience and upsetting the economics under which many station operators had grown accustomed to making a profit of thirty to forty cents on the dollar." (Brown, 1971, p. 161)

Proponents of cable tend to minimize the gains from increased choice among types of commercial TV fare already available. Yet most Americans obviously liked to watch commercial programming, and the choice of seven rather than three channels represents a major improvement in quality according to Noll (1973). One indication, a fifth of the San Diego cable subscribers watched the imported signals of Los Angeles independents, and saw programs that would have otherwise been unavailable. Another index of the value of these additional channels is that imported signals make cable sufficiently attractive to viewers that it becomes economically viable. (Noll et al, pp. 170-171)

Noll said that few benefits come without costs, and cable is no exception. Wiring the nation is expensive, but subscribers willingly bear the cost. The major potential social cost is the "danger" to over-the-air broadcasting; but cable betters the situation for VHF and UHF independents with only the networks and their affiliates losing. (Noll et al, p. 173) Noll also said that cable visionaries draw their enthusiasm from the prospect that cable will offer new kinds of

services, not that signal importation will provide more of "the fare already available on over-the-air television." (Noll et al, p. 183) But broadcasters are perhaps becoming less threatened because "In 1970, broadcasting interests owned over a third of the CATV systems." (Television Factbook No. 40, 1970-1971, p. 66a as quoted by Head, 1972, p. 235) Regulations of cable has become more favorable to cable systems over the last few years.

Regulation. Regulation for many years had been left in the hands of local governments according to the CED. Often local government saw cable as a means of bringing only improved television service to the citizens. In 1974 only twelve states had assumed authority over cable and only three had established separate cable commissions. (CED, 1975, p. 114)

> As a result of the hands-off policy at the state and federal levels, hundreds upon hundreds of cable franchises were granted with requirements varying not only from state to state but from county to county and even from township to township. (CED, p. 114)

The broadcaster in the same community who feels that his station's revenue is being cut into by cable is a problem cable has encountered. Audience-rating agencies credit the local station with a smaller audience because of "imported" signals brought in by the cable system. Martin Seiden (1972) in his book, Cable Television U. S. A.: An Analysis of Government Policy, questioned whether it is the function of the federal government to interfere with operations of the market place and the basic issue of whether or not the government should provide economic protection to broadcasters. Seiden stated that government regulators see things in a different light.

> To them, protecting the broadcaster should be only a by-product of protecting the public interest. . . .
>
> The conclusion arrived at by the government's regulators is that CATV must be regulated--ostensibly to protect the public, and only residually, the television broadcasters, in the nation's small towns and rural areas.
>
> . . . the government in fact never has protected the small broadcasters. This is because the government, headed in an entirely different direction based on an entirely different set of principles--principles that had not been articulated when the government first considered extending its authority to regulate CATV. (Seiden, pp. 4-5)

The seeds of federal regulation of cable were planted in 1952 when the FCC lifted its freeze on new television licenses and disclosed a plan for allocation of channels. The FCC did not assert its jurisdiction over cable at first. Basic policies have been worked out by the commission under review by the courts. According to CED, the sixties were years of growth in small communities for cable. Cable was fulfilling a consumer need but the FCC saw it as a threat to the local broadcasters and to the design for local service laid out in 1952. The FCC felt if local stations were forced off the air, only cable subscribers would be able to receive television signals. Because of costs, the FCC felt, cable systems would only serve densely populated areas whose residents were able to pay for service, thus leaving rural America and the urban poor with no television service at all.

In 1965, the FCC issued its First Report and Order[1] which extended its authority to regulation of all microwave-fed cable systems. Although the 1952 plan had ruled out government protection of broadcaster's markets, the First Report and Order argued that competition from cable must be limited in order to keep local service

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[1] 30 FCC, 683 (1965).

alive. It contained two main requirements: Every cable system must carry the signal of every television station within approximately sixty miles, and it must refrain from carrying any program broadcast on any local station for fifteen days before and after that broadcast.

The FCC's Second Report and Order[2] was issued in March 1966, less than eleven months after the first. If reaffirmed and asserted the jurisdiction of the FCC over all cable systems and set down its new major market distant signal policy. This policy stated that cable systems in the top 100 markets could not import distant signals without express FCC approval.

The Committee for Economic Development felt that as the FCC gained experience with cable it relaxed its policies. In 1968, it issued interim rules requiring larger cable systems to begin new services (such as program origination) that had formerly been barred. It maintained the restriction on cable in the top 100 markets, although it reduced the protective zone around each central city.

These rules were in effect only until 1972, when the present rules governing cable were adopted. The Cable Television Report and Order[3] presented the most complex and comprehensive position taken by the FCC on cable. Under these rules, cable was freer than before to expand into large markets, but the amount of competition it could offer was still limited. The FCC had modified its objective of protecting small stations and promoting UHF at cable's expense. However, it still restricted the expansion of cable into the larger markets, although it did not forbid such expansion.

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[2] 2 FCC, 2d 725 (1966). [3] 36 FCC, 2d 141 (1972).

FCC rules prohibit cable-system ownership within a particular community by broadcast television stations serving the same community; television networks are prohibited from owning cable systems. Telephone companies are also prohibited from operating systems within their telephone franchise area. Under the 1972 rules, all systems must carry all local stations, and distant signals may be imported only up to certain limits set by the FCC. In order to open new outlets for local expression, the report stated that each system must provide channels for free public access, educational use, and local government use; it also specified standards of video and aural quality.

Before 1968, pay television (then known as subscription television, or STV) was authorized by the FCC only on an experimental basis. In 1968, the FCC issued regulations restricting the programming content of pay television. In 1970, the FCC formally applied these rules to pay cable[4] and in 1972 incorporated them into the FCC's new rules on cable television. (CED, 1975, pp. 115-117)

Cablecasting. On October 24, 1969, the FCC issued its First Report and Order in Docket 18397 permitting all cable systems to originate their own programming, and requiring all systems with more than 3,500 subscribers to originate programming by April 1, 1971. This rule was challenged by Midwest Video Corporation in a court case that was initially ruled in favor of Midwest Video. While the litigation was under appeal to the U.S. Supreme Court, the FCC suspended its First Report and Order in Docket 18397 on March 27, 1971. Then in February 1972, before the appeal had been argued before the Supreme Court, the FCC adopted a new set of rules on cablecasting. These

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[4]23 FCC, 2d 825 (1970).

new rules, Section 76.201 (a), provide that:

> No cable television system having 3,500 or more subscribers shall carry the signal of any television broadcast station unless the system also operates to a significant extent as a local outlet by origination cablecasting and has available facilities for local production and presentation of programs other than automated services. Such origination cablecasting shall be limited to one or more designated channels which may be used for no other cablecasting purpose.

Cable television systems are permitted to present advertising material at the beginning, end and at natural intermissions or breaks during a cablecast. Cable systems are not permitted to interrupt a program for advertising.

The legality of Section 76.201 was upheld in the case of United States v Midwest Video Corp., 406 U.S. 649, 32 L Ed 2d 390 (1972). In this case the Supreme Court overturned the Eighth Appeals Court ruling, saying that "the FCC's rule was valid as reasonably ancillary to the effective performance of its various responsibilities for the regulation of television broadcasting." (32 L Ed 2d 390) The requirement for cable television systems with 3,500 subscribers or more to provide cablecasting was suspended effective January 20, 1975.

Noll (1973) discussed local origination (cablecasting) and leased channels.

> Local origination and leased channels both involve the sale of channel time, but there is a fundamental distinction between them. Leased channels are rented by cable operators to commercial and other organizations for a fixed time, perhaps only a few minutes. The lessee assumes all responsibility for programming and recovers the cost by advertising or by the sale of access to the channel. Origination means that cable operators act, in effect, as television stations, providing the programs and selling advertising. Both services are conceived of as self-supporting. (Noll et al, 1973, p. 193)

Difficulty arises in that commercial originations could not be self-supporting as the following calculations by Noll demonstrate.

If the operator of a cable system of 50,000 subscribers (larger than any system existing) had about the same advertising revenue per viewer as a commercial broadcaster and sought to earn $2 per year per subscriber in advertising, he would need an audience rating of about 8 per cent, which is in excess of that achieved by the most successful VHF independents. Yet with these revenues, a 50,000 subscriber system would have less income than most weak UHF independents. The commercial organizations would lose money for exactly the same reasons that most UHF stations do. These stations draw small audiences and their advertising revenues are sufficient to buy nothing more attractive than old movies and fourth reruns of off-network shows. The fate of local origination on cable would be the same financial failure that awaits a UHF independent in a very small market that already has three networks and four strong independents--dismal. Some argue that cable operators will provide more locally oriented programming and so capture bigger audiences than UHF stations. Live programming is more expensive than UHF reruns and usually attracts fewer viewers; indeed, this is the reason why UHF independents do so little local programming. Exceptions to this dismal picture are automated time, news and weather, ethnic television, cable networks, and local origination in very large cities. (Noll et al, 1973, p. 187)

Larger cable systems are required to make one channel available for municipal, educational, and public-access programs. Costs are high but the cable industry envisions two-way communications systems, facsimile reproduction of newspapers and mail, and a wide range of business, home, health, educational and municipal services. (CED, 1975, p. 62)

The cable system that tries to compete with over-the-air television for large audiences will soon go broke according to Charles Woodard (1974). He states that it is not possible for a system to earn enough revenue from the transmission of such programs to pay for the cost of acquiring them. The total amount of revenue derived from the transmission of a program will be directly related to the number of individuals who watch it, whether the source is the sale of advertising time to advertisers (who to a certain extent pay on the basis of size of audience), the addition of subscribers who wish to watch the program, or both. The total potential audience for programs carried on any cable system is far smaller than the total potential audience for a single television station. Thus it follows that--excluding programs carried on a pay television channel, programs for which the viewer pays separately for each program watched--the total potential revenue from programs originated by a cable system will not be enough to enable it to pay the high prices necessary to acquire programs which will enable it to compete with television station programming for large audiences. The answer again seems to be very local or "minority taste" programming--programming directed to ethnic, cultural, educational and geographic minorities. Cable systems should, according to Woodard, aim at a collection of small audiences with very focused, inexpensive programming directed at each separate audience. With proper supervision it is possible for such inexpensive programs to nevertheless be professionally produced. (Woodard, 1974, pp. 69-70)

Review of Literature

Much has been written about cable since 1950, the bulk of it in the last ten years. The following two statements demonstrate the large amount of literature available on cable:

> A vast amount of published information about cable is now available--so much, in fact, that we seem more bent on papering cities than wiring them. (John & Botein, Chapter 2, in Baer (ed), 1974, p. 77)

> . . . the past few years have seen the literature on cable television grow at an even faster rate than the cable systems themselves. Much of it is in the form of generalized introductions to cable. They typically relate the history of its growth ('from the hills of Oregon and Pennsylvania . . .'), provide primers on cable technology, and recount the benefits which cable is expected to provide. (Adler, 1973, p. 4)

This review of literature has been divided into two sections: the first is a review of Rand Corporation publications and the second, a review of what others have published. The Rand Corporation has produced a large number of documents, so a separate section will help keep the reader from becoming confused.

Rand Corporation Publications

In 1969, the Rand Corporation, a private non-profit center for research and analysis of public policy problems in national security and domestic affairs began research on cable under grants from the Ford Foundation, the John and Mary R. Markle Foundation and the National Science Foundation. The central interest at that time was the economic viability of cable systems and the development of federal, state and local regulatory policy.

Rolla Park (1970) in Potential Impact of Cable Growth on Television Broadcasting, developed a computer model to compare station audience, profit, revenue, and local programming expenditure, with and

without cable. Leland Johnson (1970) in Cable Television and the Question of Protecting Local Broadcasting recommended that the FCC regulations require cable operators to compensate broadcasting stations for their actual audience losses caused by cable operations. Rolla Park (1971) concluded in Cable Television and UHF Broadcasting that the potential impact of cable on UHF independents would indicate cable likely to help non-network UHF stations in a modest way through the 1970's.

In September 1970, Cable Television Opportunities and Problems in Local Origination, by N. E. Feldman was released. Three case studies of systems doing local origination were studied and compared. Local origination was examined in metropolitan Canadian cable systems, a small isolated cohesive community, and a suburb in a large city. It was concluded that the cost of local origination is relatively small compared to that for commercial stations; the audience appeal of community-oriented programming can be high; the amount of programming generated by volunteer groups is likely to be small; and there was no evidence that local origination by itself would attract enough subscribers to make cable systems profitable. Other problems encountered by cable operations included inadequate budgets, inadequate equipment, difficulty in promoting local origination and a moderate need for local origination by the community.

One case study involved Montreal, Canada, with two cable systems, which were among the largest systems in the world. Several Canadian cable systems are much larger than those in the United States and those in Montreal have had extensive experience in local origination. Success in local origination was due largely to the fact that

the profitability of cable operation in Canadian cities was assured by carrying signals of U.S. broadcast stations which were highly attractive to Canadian audiences.

The second case study involved Dale City, Virginia, a relatively isolated suburb of Washington, D.C., with grassroots television originated by community groups over a small cable system serving a single tract of homes. The cable system serving most of the homes of Dale City was installed by the tract builder along with other underground utilities. The citizens of Dale City were very interested in local programming. The money available was not enough to provide the quantity or the quality of equipment required for sustained operation. Dale City refused advertising and lacked other sources of revenue. Local programming lasted about one year and was forced to suspend operation.

The third case was Lakewood, Ohio, a small cable system originating a wide variety of material. Lakewood was very close to Cleveland and a number of local broadcast stations. Because of the FCC regulation prohibiting importation of distant signals, the Lakewood cable system tried to attract subscribers with local origination. The system failed because local origination alone was unable to attract and hold sufficient subscribers.

Feldman's study concluded that a successful cable system must import distant signals. He felt the limitation of importation of distant signals could hurt many systems.

Walter Baer (1971) examined subscriber response television in Interactive Television--Prospects for Two-Way Services on Cable. Baer noted that providing two-way capacity, as was proposed by the

FCC, would add fifteen to thirty per cent to the capital cost of a one-way distribution plant. However, allowing two-way services to develop in the marketplace under FCC rulings with the cable customer charges, appeared the best way to gauge the potential benefits from two-way cable technology.

Leland Johnson (1970a) examined the proposed FCC rules and regulations in his treatise, The Future of Cable Television: Some Problems of Federal Regulations. The study concluded that the public interest would be best served by allowing cable to grow freely under liberal rules, picking up distant broadcast signals without restriction except for payment. Rolla Park (1971a) in Prospects for Cable in the 100 Largest Television Markets noted that to succeed in the metropolitan areas, cable must attract customers with new services as well as the traditional package of better reception plus distant signals.

Three states, Connecticut, Nevada and New York, had their cable regulation problems reviewed by Michael Mitchell (1971) in State Regulation of Cable Television. Richard Posner (1970) probed advantages and disadvantages of various forms of local cable regulation in Cable Television: The Problem of Local Monopoly. Concern was with the potential of a local monopoly to abridge the public interest through excessively high subscriber fees and direct channeling of huge profits into the hands of cable companies who successfully competed for the right to "wire up" individual communities. Posner urged a period of experimentation with a variety of options available for preventing monopoly prices while capturing reasonable profits for the public.

In January 1972 a report on Cable Communications in the Dayton Miami Valley was issued. The research project was concerned with the economics and technology of cable television in the Dayton Miami Valley area. The report explored new services that could be provided by cable television, franchising, ownership of cable systems and financial projections for ten years. The report concluded that an interconnected system of six cable systems serving the Dayton metropolitan area would be economically feasible. If each of the communities in the area operated independent systems, only the two largest systems would survive, whereas by interconnecting the systems, all the towns in the area could have cable services from successful cable systems.

Monroe Price and Michael Botein (1973) wrote Cable Television: Citizen Participation After the Franchise as part of a series by the Rand Corporation. Other reports from Rand on cable had dwelled on the participation of citizens in the planning stages of cable systems for communities. The granting of a franchise should not mean the citizen then becomes uninvolved. The FCC now requires a certificate of compliance from cable systems and this, according to Price and Botein, was a good way for citizens to voice opinions about a particular cable system. They also suggested that communities "need to know more about Section 76.7 of the rules, allowing the softening or strengthening of the regulations in individual cases." Many systems obtain waivers that might not be best for the communities. Finally, they felt that citizens need to follow the formulation of new rules by the FCC.

In April 1973 Carl Pilnick authored Cable Television: Technical Considerations in Franchising Major Market Systems. Pilnick discussed the problems of cable in major markets and posed the following

question:

> How can a franchise strike a balance between a cable system designed for presently available services with minimum initial cost, and one that attempts to take into account the future growth and use of the systems? Not only is technology involved but also the degree and nature of participation by local government and the community. (Pilnick, p. v)

Leland Johnson and Michael Botein in March 1973 wrote Cable Television: The Process of Franchising. Johnson and Botein suggested that careful and detailed consideration must be given in each step of the franchising process. Details to be especially looked at in franchising include: minimum channel capacities, timetables for construction, subscriber rates structure, and cooperative agreements with neighboring jurisdictions. Johnson and Botein said there is no such thing as a model franchise that communities can adopt with only minor adjustment. It is critical in their opinion that flexibility be built into the franchising process and the actual franchise document. One thing the community should do is avoid "unduly burdening the cable operator with ambitious requirements." (p. v) Also the terms of the franchise should not unduly benefit one group of users, or potential users, at the expense of others. The community should make sure that they are protected in the terms of the franchise.

Johnson and Botein included ten steps which they felt could be of value to a community writing a franchise: 1. adoption of procedures for drafting and awarding the franchise; 2. assessment of community needs, objectives, and alternatives; 3. hearing and tentative decisions regarding major issues; 4. hearings on adoption of a draft franchise; 5. dissemination of reports for proposal; 6. hearings on proposals; 7. decision on award of a franchise;

8. FCC certificate of compliance; 9. monitoring system construction and certifying performance; 10. continuing administration of the franchise. Section III of the report contained terms and conditions that might be used in a franchise.

Steven Rivkin (1973) wrote Cable Television: A Guide to Federal Regulations. It is divided into three sections. The first section contained a general overview of material presented in the report. The second section contained cable television policies and rules. The third section had relevant documents listed and a glossary. The report helps give a background to federal regulations but because the FCC seems to be in the process of redefining rules and issuing new rules, it is important to not depend on Rivkin's document. Rivkin is a partner in a Washington, D.C. law firm and as such gives a little more legal insight than other reports on federal regulations.

The report, Cable Television: A Handbook for Decisionmaking, was the first of twelve research reports on cable designed to help communities shape policy for what its author, Walter S. Baer (1973), called a "revolution in communications." The Handbook was intended as an introduction and overview of the issues of cable technology, system economics, ownership options, the regulatory framework, franchising, local responsibilities beyond the franchise award, making public access effective, public services on cable and the future of cable. As such, it summarized most of the previous works mentioned with updatings and refinements borne of increasing experience with cable in the communities. A series of companion reports to the Handbook treat specific issues in greater detail. The following list of titles clearly indicate the research covered within.

*The Process of Franchising, by Leland L. Johnson and Michael Botein

Citizen Participation in Planning, by Robert K. Yin

*Technical Considerations in Franchising Major Market Systems, by Carl Pilnick

*A Guide to Federal Regulations, by Steven R. Rivkin

*Citizen Participation After the Franchise, by Monroe E. Price and Michael Botein

Applications for Municipal Services, by Robert K. Yin

A Guide to the Technology, by Carl Pilnick and Walter S. Baer

Making Public Access Effective, by Richard C. Kletter

Uses in Education, by Polly Carpenter

A Guide for Education Planners, by Polly Carpenter

Published as part of the cable series by Rand, Cable Television: Franchising Considerations by Walter S. Baer (1974) is oriented primarily toward government officials, educators, and leaders in local communities. Included was the technology of cable operations, the franchising process and considerations, citizen participation in the planning and awarding of the franchise and citizen followup and action after the franchise has been awarded.

Other Studies about Cable

In 1970, the Alfred P. Sloan Foundation established the Sloan Commission on Cable Communications to study the new technology, assess its significance and to explore "some of the problems and possibilities that will arise as wired broadband communications systems spread across the United States." The chairman was Edward Mason, Dean Emeritus of the

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*Included in this review of literature.

School of Public Administration at Harvard University. The final report was On the Cable: The Television of Abundance. The Sloan Commission was to assess possibilities, both positive and negative, of cable. Their hope was that out of such an assessment could come some careful judgments and recommendations concerning the manner in which a "powerful new technology should be encouraged to grow." (p. vii)

Among general conclusions the Sloan Commission believed it to be in the "public interest" to encourage the growth of cable. By the end of the decade they predicted a cable system would be in existence which would cover 40 to 60 per cent of all American homes with a capacity of twenty channels. (Sloan, p. 173) On the Cable projected that although not impressive now "cable technology, in concert with other allied technologies seem to promise a communications revolution." (Sloan, p. 2)

The Sloan Commission recommended: 1. That franchises be limited to ten years. 2. Franchises should be specific in the allocation of channels for lease, public access, education and government. 3. The quality of service should be a provision of the franchise. 4. Competition between broadcast stations and cable systems should be on the basis of equal opportunity. 5. Network ownership of cable systems should be prohibited. 6. Limits should be set on the number of cable systems which can be owned by one individual or corporation. 7. Public television stations should be allowed to operate cable franchises. 8. Franchising preference should be given to local nonprofit and social or ethnic needs. 9. The FCC should establish minimum standards for channel allocation, technology and channel capacity. 10. The FCC should limit the franchise fee to enough to cover the

cost of regulation. 11. Congress should establish an independent program to encourage the efficient use of cable. 12. Each state should establish a state regulatory agency. 13. The fairness doctrine should not be applied to public access channels. 14. The equal time rule should not apply to cable. (Sloan, pp. 173-178)

The Real World of Technological Evolution in Broadband Communications by Hubert J. Schlafly (1970) was a report prepared for the Sloan Commission. Areas covered included spectrum utilization; description of a typical system and its technical standards; planning for new systems and system uses that had been proposed. Schlafly was a co-founder of TelePrompTer Corporation and was Senior Vice President for TelePrompTer at the time the report was submitted.

In 1971, the Common Council of the City of Detroit created the Cable TV Study Committee to advise them on bringing cable television to Detroit. Throughout the following year a series of meetings was held with consultants of differing expertise, citizens and representatives of any group who wished to share their viewpoints about developing cable in Detroit. The final report, Cable Television in Detroit: A Study in Urban Communications, provides specific recommendations of cable technology in a metropolitan area, engineering and financial projections, construction and operation of the distribution system, channel allocation, revenue, regulation and future implications. The issues of privacy during cable use and employment opportunities as cable developed were also discussed.

Starting July 1, 1971, the public was given free access to two cable television channels in New York City. In an attempt to identify some of the problems and to help anticipate what would be needed to

resolve them, the Fund for the City of New York financed an experimental project in public access television. The project was carried out by the Center for the Analysis of Public Issues of Princeton, New Jersey, under the direction of Charles Morris. The final report of the project entitled Public Access Channels: The New York Experience, was intended to aid private groups in making public-access television a reality.

The significance of the report lies in the fact that it was drawn from direct operating experiences in the use of public access television, and that it explored systematically the issues in this field that are faced by New York City as a whole and by potential user organizations, cable companies, video artists, technicians, and audiences.

The study indicates that there is a considerable amount of programming on the cable and more was planned with a significant amount spontaneously generated by people who have something they want to say over television. The usually high level of public access programming was facilitated by the media sophistication of the New York users and the presence of a relatively large number of videotape groups. This phenomenon might be peculiar to the largest cities in the country, or possibly just to New York.

An excellent handbook on cable, Cable Television in the Cities: Community Control, Public Access, and Minority Ownership, edited by Charles Tate (1971) provides data on how to gain access to cable programming. Included in the book is history of federal regulations, special terminology, community control of cable systems, municipal regulations of cable, and a chapter on cablecasting. A reference and

resource guide that was extremely clear and useful in providing a basic understanding of cable in relation to programming was also included. Cable Television in the Cities was aimed primarily at minorities and the private citizen to better inform them about uses of cable and business opportunities.

CATV, A History of Community Antenna Television by Mary Phillips (1972) dealt with the early history of cable and the development of regulatory agencies at all levels of government. Phillips also looked at the future in regard to regulation and development of the CATV industry. She projected that the evolution of the CATV industry would be a healthy development for the broadcast industry and the American public. "In brief, CATV holds substantial promise of assisting in entertainment supply, information delivery, and educational efforts, all of which are dependent on communications processes." (Phillips, p. 174)

Early in 1972, a Cable Television Information Center (CTIC) was established at the Urban Institute with joint support by the Markle and Ford Foundations. Under the direction of W. Bowman Cutter, the Center has three main activities. First, to provide basic information about cable television specially tailored for municipal governments ranging from the potentials of cable to specific data on cable technology. Second, to offer objective and impartial advice about the franchising problems of a specific locale. Third, the Center is prepared to work with municipal officers in a limited number of cities to specify the kind of cable system that would best serve the needs of that city.

One of the earliest analyses of cable in the community was The Wired City: A Handbook on Cable Television for Local Officials by Theodore Ledbetter, Jr., and Gilbert Mendelson. The book provides background awareness of CATV as a new community communications system and suggests that city officials have a special obligation to encourage public awareness and participation in the preparation of the enabling ordinance, selection of the franchise recipient, and to enforce the provisions of the ordinance effectively.

The United Church of Christ, the Markle Foundation, and the Stern Fund provided a similar study from the citizen's point of view. Monroe Price and John Wicklein, authors of Cable Television: A Guide to Citizen Action, recommended procedures for public-spirited citizens, local government officials, community organizations and political leaders who want to participate and experiment with cable as a fundamental means of communication service in the community.

Cable Television U.S.A.: An Analysis of Government Policy by Martin Seiden (1972) provides a good source to the FCC's role with cable. Chapter four dealt specifically with cable costs and profits. Costs for cablecasting came from Telemation figures, that were submitted to the FCC and used in the FCC's 1969 Report and Order. According to the Telemation figures, the revenue of 1,150 cable subscribers would be required to cover the basic cost of a full-color system and 430 subscribers for a basic black and white system. Not included in the cost figures were automation channels, the cost of renting films, or extra modulators needed to feed the signal to the cable. That would require 325 to 425 more subscribers. As Seiden said:

> Current experience with cablecasting depends on the source of the information. Cablecasting proponents point to systems making money at all subscriber levels. Those not wanting to be involved in "unnecessary expense" can give examples of loss situations. No data have been released pinpointing the parameters that account for such widely varying experiences. (Seiden, p. 31)

Seiden's book is a study of the development of government regulations of cable television both at the federal and state levels. The study examined the cable industry, its economic and audience impact on broadcast stations, and the evolution of regulation at the local, state and federal levels. In his conclusion Seiden looked at the future of cable and the impact that satellites could have on broadcasting as a whole. Seiden concluded that "such satellites would bypass CATV (and broadcasters) and provide television channels for a fraction of the capital cost of that golden CATV dream 'wiring up half the nation'." (Seiden, p. 142)

In their book, Economic Aspects of Television Regulation, Roger Noll, Morton Peck, and John McGowan examined the impact of government regulation on the development and expansion of the television industry. They felt that the FCC had done too much to limit the development of cable systems and keep them from providing the services for which they have the potential. As Noll stated:

> Even if cable systems do develop, a great part of the gain in consumer welfare that they could have fostered will fall victim to the preservation of the fundamental features of American television--extremely high profits for the networks and their affiliates, limited competition, and the charade of local service. (Noll et al, p. 182)

Adopting a semi-laissez-faire approach toward the regulation of cable systems was proposed to give cable just the proper amount of guidance when needed. Noll felt that the regulation of cable television must be opened up to allow competition with broadcast

television and to permit cable a chance to offer the services that it has the capacity to offer.

A cable system depends primarily on the "penetration rate," the percentage of homes in a wired area that subscribe to the service, to meet its costs, including the profits necessary to attract the required capital. (Noll et al, p. 153) Contained in chapter six are the results of a study on the penetration rate for cable systems offering different combinations of viewing options. The results show the following:

> First, in the absence of distant-signal importation, or some other major additional stimulant to penetration, no more than 100 percent of the television homes in most of the 100 largest markets will subscribe to cable television. Second, distant-signal importation alone is sufficient to change dramatically the likely level of penetration. Third, in the foreseeable future penetration probably will in no case exceed 70 percent, so that substantial public interest continues to lie in over-the-air broadcasting. Consequently, the impact of cable on its viability cannot be ignored. (Noll et al, p. 155)

The Humanistic Claim on the Cable by Richard Adler (1973) was prepared for the Aspen Workshop on Uses of Cable. It consisted of five chapters: the first chapter gave an introduction and background on cable; the second chapter presented humanistic uses of television; the third chapter concerned itself with the new cable environment; chapter four was on art and humanities on the cable; and the last chapter discussed continuing education on the cable. The Aspen Workshop on Uses of Cable was concerned, as Adler stated:

> Most of the discussions of cable to date . . . have concentrated on . . . technology, regulation, industry, and projections of the industry's growth. Comparatively little thought has been given to what real differences cable will make in people's lives. (Adler, p. 5)

The Aspen Workshop felt that development of cable must envision more than "economic and technological exigencies. Once the systems reach maturity it will be immensely more difficult to correct the mistakes of the past." (Adler, p. 7) Programming should "challenge and expand the viewer's perceptions and provide . . . the means to enrich . . . life." (Adler, p. 7) A criticism aimed at commercial television follows:

> American commercial television has either ignored or given passing attention at best to these responsibilities. In fact, as it has grown more prosperous, it has become more reluctant to innovate, to experiment, or to do anything which disturb the loyalties of its vast audience. Success of a 'format' brings almost automatic imitation. Because of the need for continuity and predictability, one program must follow the next, day after day, consistently and without interruption. None of these conditions contributes to uniqueness or excellence. (Adler, p. 7)

The reason for the "failing" of commercial television to meet the humanistic needs follows:

> The real customers of television, for whom programming is tailored, are not the viewers, but the corporate sponsors. The producers of programming are concerned not with whether the viewer is pleased, or stimulated, or even interested in what he sees, only that he, somehow, keeps watching. (Adler, p. 11)

Adler discussed specifics of programming in Humanistic Claim on the Cable and concluded:

> Whatever the ultimate form such programs take, the responsibility of television as an educational and cultural force is inescapable. Television systems abroad, and isolated examples of outstanding humanistic programming here have proved the medium's value. As a whole . . . broadcast television in this country has not adequately met its obligations to the society it is supposed to serve. If we wish to avoid bringing the same charge against cable television in the years hence, we must begin planning now how to assure a continuing reliable claim for humanistic uses of the cable. (Adler, p. 60)

Cable, a report to the President by the Cabinet Committee on Cable Communications (1974), made the following recommendations: 1. Control of cable distribution facilities should be separated from control of programming and other services provided over the channels on those distribution facilities; 2. Common ownership or control of cable systems, interconnection facilities and program supply services should be the only form of cable "network" operation that should be prohibited; 3. There should be no restrictions on either cross-media ownership or multiple ownership of cable systems; 4. Telephone common carriers should not control or operate cable systems in the same areas in which they provide common carrier services; 5. The development of new programming and other information services that can be offered over cable should not be impeded by government-established barriers to the consumers' opportunity to purchase those services; 6. The programming, information, or other services provided over cable should not be subject to administrative regulation of content, nor should the prices of such services be regulated by any governmental authority; 7. Incentives to create programming for cable should be fostered by full applicability of the copyright laws to cable channel users; 8. The Federal government's authority over cable should be used initially to implement a national policy; thereafter, detailed Federal administrative supervision should be limited to setting technical standards and applying anti-siphoning restrictions on professional sports programming; 9. Franchising authorities should have the principal responsibility for the regulation of cable systems; 10. There should be strong legal and technical safeguards to protect individual privacy in cable communications; 11. Governmental authorities should

assure that basic cable or other broadband communications are available to residents of rural areas and to the poor; 12. Participation by minority groups in cable system ownership, operation and programming should be facilitated. (Cabinet Committee on Cable Communications, pp. 29-47)

Exceptions to the long-range policy recommendations that would apply during a transition period would end when 50 percent of the nation's households were connected to cable systems. Exceptions are: 1. Cable operators would be exempt from the prohibition of offering programming directly or having financial or other interests in the programming and other services offered over their systems. 2. Franchising authorities would have to require cable operators to: a. Make available for lease to others at least one equivalent channel for every channel used by the cable operator for retransmission of broadcast signals or for program originations. b. Establish a pattern of gradual lessening of the cable operator's control of channels by increasing the proportion of channels to be leased to others. 3. The Federal Communications Commission should continue to: a. Prohibit future ownership of cable systems by television broadcast networks and by television broadcast stations in their station service areas. b. Apply restrictions on the type of entertainment programming that can be offered to cable system customers for a fee and adapt such restrictions to changing conditions in the broadcast, cable and programming industries. (Cabinet Committee, pp. 53-54)

Charles Woodard (1974) wrote Cable Television: Acquisition and Operation of CATV Systems. The book dealt with most phases of operation including chapters on acquisition, organization, programming, marketing, maintenance, accounting, and revenue. Woodard stated that

"cable television . . . is now beginning the process of transformation from community antenna television . . . to broadband communications." (Woodard, p. ix) Cable Television contained much detailed information about copyrights, sales techniques, equipment needs, accounting, billing, budgeting, leasing, and advertising.

Willy Ann Holmgren (1974) wrote her dissertation for the University of Pittsburg about The Impact of Cable Television on a Suburban Community. She conducted her study in Mt. Lebanon township in Pennsylvania. Major findings were:

> Awareness of cable television within the community is a preliminary development that takes place before utilization begins . . . 412 residents or 96.0% of those responding indicated that there is a cable television system in Mt. Lebanon. All 48 or 100% of the responding community leaders were aware of the Mt. Lebanon Cable TV System. (Holmgren, p. 156)

Of the local channels, those questioned were least familiar with the public access channel, although community leaders were familiar with it because they had used it. A majority of residents were aware of the educational and local origination channels.

Within a year and a half after the system was established there were twenty to twenty-five hours of locally produced shows per week. When the system was built the FCC Rules did not require a public access channel. Some community leaders who were aware of public access approached the system for time on it and were offered time on the local origination channel. Residents could not tell any difference in public access programming and local origination programming. Because the programs were done by local people the viewers considered all programs as local origination. The community leaders did not feel slighted; they felt they had public access because their "cause" had been aired on a channel.

The education, public and government access channels had not been activated. To fill the void left by the unused channels, the cable system started a number of locally originated programs. However, most residents and community leaders only consulted the automated services, (time, weather, message wheel, etc.) and seldom watched any of the local programs. When surveyed about programming preferences, most residents preferred "consumer information" and "town services available" programs to any others, while community leaders preferred "children's programs" and "town services available." Many residents and community leaders felt that cable television should be used as a community communications system--providing information, education, meeting coverage, and recognition of community members. Yet they seldom watched any of the local programs.

Some observations made concerning the town were: 1. Public realization of a right to use a public access channel was lacking; 2. Government and education groups did not use local studios and equipment regularly; 3. Education of the public to uses of cable was the biggest obstacle to overcome; and 4. Publicity and promotion of cable activities was needed.

The Committee for Economic Development (CED) is composed of two hundred business executives and educators. Through a business/academic partnership CED's purpose is to develop policy statements and other research materials that commend themselves as guides to public and business policy.

The CED (1975) published Broadcasting and Cable Television: Policies for Diversity and Change. Chapters included the following: 1. Introduction and summary of recommendations; 2. The public

responsibilities of commercial broadcasting; 3. A policy for public broadcasting; 4. Potential of cable and 5. Organizing for change. Also included was a memoranda of comment, reservation, or dissent for CED members who wrote the booklet.

In suggesting public policies for broadcasting and new technologies the social and economic forces were categorized this way:

> As public problems become more complex, citizens are seeking more information and a larger voice in the critical decisions that affect them. . . .
>
> Knowledge is becoming increasingly perishable, bringing new demands for retraining, career advancement, and adult education. . . .
>
> Social and demographic patterns are shifting. Increasing numbers of married women with children are entering the labor force. At the same time, the elderly constitute a growing position of the population. (CED, p. 16)

Recommendations for cable included the following: 1. Governing of cable systems should encourage owners to originate programming on a limited number of channels; 2. Copyright laws should be made applicable to cable systems; 3. Restrictions on cable programming of motion picture and series programs should be gradually eliminated to permit pay-TV; 4. A two-tier system of regulation should be established where the FCC regulates state commissions who would then delegate franchising authority to local governments. (CED, pp. 21-22)

Periodicals

Periodicals number in the hundreds about the subject of cable. Many of those periodicals contain expectations of what cable might be like some day. There is no single index which lists most of these periodicals on cable and related subjects. Articles on cable and its many aspects appear in such periodicals as CATV, TV Communications, Cable Communications, Cable News, Cablecast, Cablecasting/Cable TV

Engineering, Television Digest, and NCTA Bulletin. There are some indexes, such as the Reader's Guide to Periodical Literature, which list some articles in the more widespread magazines, but they do not cross-reference articles which are in the many trade magazines. The lack of an adequate index handicaps locating articles.

Summary

As the review of literature indicates, there is a growing interest in cable television. The majority of studies have been proscriptive in nature, either recommending guidelines for development of federal, state, and local regulation of cable technology or presenting hypothetical models and financial projections to demonstrate the economic viability of cable in large cities.

Chapter 2

METHODOLOGY

Research Design

The exploratory field study method was utilized for this research. This method was chosen for several reasons (1) realism, (2) seeking practical solutions to practical problems, (3) dealing with a lapse of time, and (4) allowing flexibility in identifying a hypothesis.

Kerlinger (1966) stated:

> Field studies are ex post facto scientific inquires aimed at discovering the relations and interactions among sociological, psychological, and educational variables in real social structures. . . .
>
> The investigator in a field study first looks at a social or institutional situation and then studies the relations among the attitudes, values, perceptions, and behaviors of individuals and groups in the situations. He ordinarily manipulates no independent variables. (p. 387)

Kerlinger quoted Katz (1953, chapters 2, 3, and 4) as to field studies being divided into two types "exploratory and hypothesis-testing. Katz, seeks what is rather than predict relations to be found." (p. 388) Katz (1953), in his book, Research Methods in the Behavioral Sciences (Festinger & Katz), stated:

> In building a science of social psychology it is desirable to take advantage of the different settings in which our phenomena occur and of approaches which utilize the particular advantages of a given setting. The field study is unique in enabling us to observe and measure social processes in their natural occurrence. . . . it can give to the experimentation and can prevent the laboratory from developing a system of concepts which have little to do with the way in which people really behave. (p. 94)

Strengths of field studies are that they are strong in realism, significance, strength of variables, theory orientation, and heuristic quality. (Kerlinger, 1966, p. 389) Kerlinger further stated that the realism of field studies is obvious. "Of all types of studies, they are closest to real life." (p. 389) Katz (1953) said:

> In the field study . . . attempts are made to observe and measure the on-going processes more directly. Specifically, this means that the field study either attempts observations of social interaction or investigates thoroughly the reciprocal perceptions and attitudes of people playing independent roles. Thus, a field study will provide both a more detailed and a more natural picture of the social interrelations of the group than does the survey. (pp. 57-58)

An exploratory field study was used to examine and discover regions that little was previously known about. It was felt that practical applications of theory in a real life situation would yield data helpful to understanding cable television and some of the interactions one cable system had with its employees and the city council. The researcher had previously established rapport with the cable employees to do the type of probing required.

Weaknesses of the field study method are stated by Kerlinger.

> Its most serious weakness . . . is its ex post facto character. Thus statements of causal relations are much weaker than they are in the experimental research. . . . the field situation almost always has a plethora of variables and variance. . . . In an experimental study, these variables can be controlled to a large extent, but in a field study, they must be related somehow to achieve whatever degree of control we can by indirect and less satisfactory means.
>
> Another methodological weakness is the lack of precision in the measurement of field variables. In field studies, the problem of precision is more acute, naturally, than in field experiments. (Kerlinger, p. 390)

Results are often hard to duplicate as Katz pointed out.

> (anthropological procedure) are inferences which either represent a wholistic type of judgment or are based upon

> what the investigator regards as his most central observations. There is little attempt at specification of the types of data which are necessary for the measurement of a given variable. Hence, it frequently makes difficult and often impossible the verification of relations by another investigator. (p. 64)

Other weaknesses of field studies are only potential weakness that can be overcome: feasibility, time, cost, and sampling. (Kerlinger, p. 390)

Roger Nebergall (1965) in his study, "A Critique of Experimental Design in Communication Research," stated:

> . . . unless researchers keep a constant and rigorous check on the . . . real world they will be in serious difficulty . . . They must relate to the day-to-day behaviours which these people exhibit and to the kinds of communication responses they make in all kinds of situations every day of their lives. Those kinds of behaviors need to be measured where they are found. Unfortunately, they are often not found in the classroom or in the laboratory. (pp. 13-16)

Daniel Katz (1953) commented in his research, "Field Studies," that:

> they (field studies) are breaking down the narrow walls of the traditional experimental laboratory in the application of a research approach to complex problems of human relationships. The effect is twofold: (1) our scientific knowledge is increasing as a result of the direct study of field situations and (2) the psychological laboratory is beginning to include in its experimentation social and group variables. (p. 56)
>
> Field studies, by their close contact with on-going social events, can serve as a check against the omission of significant variables. (pp. 94-95)

The research design was exploratory in nature seeking what is or was rather than predicting relations to be found. Confidence in the researcher presented a unique experience to study a real-life cable system operation and to seek out what relationships existed between cable employees and the City Council.

Data Collection Methods

Data was collected from primary sources as well as secondary sources. Secondary sources included other studies about cable television; issues of the local newspaper, The Sedalia Democrat, and minutes of City Council meetings in Sedalia. Primary sources included interviews, attendance of the researcher at City Council meetings, and legal records (i.e. court transcripts, franchise, etc.)

The interview was a primary tool in collecting data. Kerlinger (1966) stated the value of the interview:

> Interviews and schedules (questionnaires) are ordinarily quite direct. This is both a strength and a weakness. It is a strength because a great deal of the information needed in social scientific research is fairly straightforward and can be gotten from respondents by direct questions. Though the questions may have to be carefully handled, respondents can, and usually will, give much information directly. There is much information . . . of a more difficult nature that respondents may be unwilling, reluctant, or unable to give readily and directly; for example, information on income, sexual relations, and attitudes toward religion and minority groups. In such cases, direct questions may yield data that are invalid. Yet, properly handled, even personal or controversial material can be successfully obtained with interviews and schedules. (p. 467)

The interview schedule can obtain a great deal of information; is flexible and adaptable to individual situations; and can be used when no other method is possible or adequate. (Kerlinger, p. 467)

A major shortcoming is that interviews take as long as an hour or two to get information. This investment in time "costs effort and money." (Kerlinger, p. 468)

An open-ended rather than fixed-alternative (see Kerlinger, p. 470) was utilized because open-ended questions "supply a frame of reference for respondents' answers, but a minimum of restraint on answers and their expression." (Kerlinger, p. 470) Open-end questions

are flexible; have possibilities of depth, allow the interviewer to clear up misunderstandings through probing; and achieve rapport. Another advantage is that responses may suggest possibilities for relations and hypotheses. (Kerlinger, p. 471)

Personal interviews that were partially structured left room for amplification by those being interviewed and provided the opportunity to obtain detailed, more complete data. To reduce confounding errors introduced by variations in interviewers, all interviews were conducted by the researcher with the realization that one interviewer will introduce a constant error bias without the benefit of the canceling effects of information secured by several interviewers.

Telephone interviews were conducted with council members as a courtesy. It was found that telephone interviews were more convenient for the council members. Most council members appeared relaxed and candid in their responses.

Complete financial data for fiscal years 1971-1974 and partial data for 1970 and 1975 were obtained from Cablevision. Stephen Lamkin, MBA, University of Missouri, conducted a financial analysis of these company records. Dr. William McTeer, University of Missouri at Whiteman Air Force Base, also examined the financial records and made comments as the researcher was not knowledgeable in this area.

Sampling

Face to face interviews were conducted with the manager, the office manager, the secretary, and the chief technician of Cablevision; telephone interviews were conducted with all of the 1974-1975 Sedalia City Council members and those 1973-1974 members whose terms were

expiring. A former owner/manager and secretary were interviewed, but because of the nature of their responses, that data will not be included.

Chapter 3

RESULTS

History of Sedalia Cable Television

Sedalia, Missouri, the county seat of Pettis, is located approximately 75 miles east of Kansas City. Sedalia, with a population of 23,000, is in a rural, predominately agricultural, part of West Central Missouri.

Sometime before May 13, 1965, the City of Sedalia issued a request for bids for the construction and operation of a community antenna television system in Sedalia. On May 13, 1965, the five firms responding made presentations on their proposals to the City Council in an executive meeting.[1] The firms making presentations and their representatives were: United Video of Kansas City, represented by attorneys William F. Brown and James E. Durley; Total Television of Sedalia, represented by attorney James Buckley, Robert Clark of Oklahoma City, and a group of local stockholders; Cable TV Construction Company of Iola, Kansas, represented by president Larry Hudson; Meredith Publishing and Broadcasting Company, represented by attorneys Fred F. Wesner and Frank Meyer; and Sedalia CATV Company, represented by attorneys Henry C. Salveter and J. R. Fritz and a group of local stockholders. (The Sedalia Democrat, May 14, 1965, p. 1)

Then on May 17, 1965, "arguments over Sedalia Community Antenna Television were settled . . . , at least for a time, with the

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[1]See Appendix A for a copy of the actual proposals.

awarding of a license to the Sedalia Cable TV, Inc., Iola, Kansas. The license to specifications to be drafted by the City Council, and the outcome of an investigation of the financial status of the company." (The Sedalia Democrat, May 18, 1965, p. 1) The vote by the council was 5 to 3.

At a regular meeting on May 24, 1965, the Sedalia City Council passed an emergency ordinance to license Sedalia Cable TV, Inc., of Iola, Kansas, to install a cable TV system in Sedalia. The vote was 5 to 2 on all three readings. "Two members of the Council said the reason the ordinance was passed was to 'get the people off our backs.'" (Sedalia Democrat, May 25, 1965, p. 1) Councilman Ralph Walker, chairman of the Printing and Ordinance Committee, asked, "What is the big hurry? We don't know anything about the company. . . . Besides the ordinance read is not the ordinance given me by City Councilor Crawford." (Sedalia Democrat, May 25, 1965, p. 4) E. W. Thompson, later an owner of Cablevision, said, "Let's not worry about finances . . . The only thing we want is a license, and there's no need to worry about finances." (Sedalia Democrat, May 25, 1965, p. 4) Walter C. Cramer (who was later to be a stockholder) said, "This firm was the successful bidder, and these others were not the successful bidders. This gentleman has said he wants to sell fifty-percent of the company to Sedalians. The only thing this council can do is accept this bid." (Sedalia Democrat, May 25, 1965, p. 4)

The Democrat on May 26, 1965, reported the passage of the ordinance:

> An ordinance passed in a surprise move Monday night by Sedalia's City Council licensing an Iola, Kansas CATV firm here was not drafted and prepared by City Counselor Earl T.

> Crawford as purported at the council session, the Democrat-Capital was told today. (Sedalia Democrat, May 26, 1965, p. 1)

The ordinance passed was one prepared and submitted by Larry D. Hudson and contained eight or nine fewer sections than Crawford's. Hudson apparently gave copies of his ordinance to all councilmen except one, the only Republican on the council who happened to be Chairman of the Ordinance Committee. Hudson gave the impression that this form had been approved by Crawford who was out of town that night. Omitted sections included: (1) CATV was to comply with workmen's compensation regulations; (2) Obtain insurance holding Sedalia harmless of liability; (3) Preventing the grantee from engaging in the business of selling or distributing any merchandise or repairing any property other than his own; (4) Furnish a performance bond; (5) Provide the city with a semi-annual statement of the CATV company's gross receipts; (6) Prohibit local origination other than weather reports. (Sedalia Democrat, May 26, 1965, p. 1)

The mayor said he would ask the Council to repeal the ordinance at a special meeting on June 2. But according to the May 27, 1965, Sedalia Democrat, the City Council met in the mayor's office and decided to amend the ordinance rather than repeal it.

Also reported on May 27 was the fact the VUMORE Company of Oklahoma City, represented by attorney James T. Buckley and John Beatty (president of local investors), petitioned the Circuit Court for a declaratory judgment stating that the City Council acted beyond the scope of its authority in granting a license. (Sedalia Democrat, May 27, 1965, p. 1) By June 4 VUMORE had changed its name to Total Television of Sedalia, Inc. VUMORE owned 51 percent of the stock

and 49 percent of that was owned by: John L. Beatty, J. J. Kniest, W. G. Whitaker, W. E. Bingham, George Thompson, Harry Naugel, and William C. Hopkins. (Sedalia Democrat, June 4, 1965, p. 1) The suit was formally dismissed by the plaintiff without prejudice as reported in the Sedalia Democrat June 7, 1965 (p. 1).

On June 8, 1965, a motion to advance repeal of the CATV ordinance to a second reading failed to recieve a second to the motion. (p. 1) Buckley, the attorney, stated, "On behalf of Total Television of Sedalia, I am asking that my clients be issued a license to construct and install a CATV system." The mayor asked, "What are you willing to pay?" Buckley answered, "We'll let the city put up the restrictions on that." (Sedalia Democrat, June 8, 1965, p. 3)

Thus VUMORE and Total Television of Sedalia of Iola, Kansas, merged and took the name of Cablevision, Inc. On Wednesday, March 9, 1966, operation of a cable system began in Sedalia with 40 subscribers, a 540 foot tower, and a $40,000 investment.

John L. Beatty was named manager of Cablevision, Inc., by the board of directors. The board consisted of Larry Woods, attorney, Noel Martin, Gene Glenn (both of Columbia, Missouri), Larry Hudson and Cole Hudson.

> Several weeks ago the majority stock in Cablevision, Inc., was purchased by E. W. Thompson and W. C. Carmer. Later they sold a large interest of their holdings to the Columbia group, several Sedalians and a resident of Sweet Springs, and all the stock held by Thompson, Cramer, et al., was placed in a trust with three trustees being named to vote the stock in trust.
>
> The trustees are Woods, Martin, and D. Simon, Jr., the latter also of Columbia. (Sedalia Democrat, March 10, 1966, p. 1)

It is interesting to note that none of the name changes or changes in stockholders were reported to the city clerk and thus none are on file.

On December 16, 1968, the City Council approved a rate increase from $4.50 to $4.90 per month. The 4 to 2 vote occurred "after considerable review of the matter in a pre-council meeting." (Sedalia Democrat, December 17, 1968, p. 1) The vote also approved a $10 installation charge for new subscribers. "Cablevisions' request to raise its rates was the result of financial difficulties and federal regulations placed upon Cablevision, according to James Buckley, attorney for Cablevision." (Sedalia Democrat, December 17, 1968, p. 1)

February 25, 1969, the Democrat reported that Cablevision had been sold earlier in the month to Livingston Oil Company (LVO) of Tulsa, Oklahoma, and its subsidiary GenCoe, Inc. (Sedalia Democrat, December 17, 1968, p. 3) The purchase price was $1,250,000 of which $500,000 was for physical assets and $750,000 as the "going concern" value.

In June 1969 Jim Adkisson replaced John Beatty as manager of Cablevision.

On April 1, 1971, Cablevision announced that it would begin cablecasting in early June. To add this new service, Cablevision spent $30,000 to add a broadcast studio to the building that was a former gas station, acquire cameras and lights, and lay additional lines to the tower. (Sedalia Democrat, April 1, 1971, p. 5)

In April 1971 discussions began between Cablevision and the City Council over a rate increase to $5.90 although no formal proposal was made. On May 17, 1971, Cablevision submitted a formal request for a rate increase to the City Council at a pre-council meeting. However, the request "failed to reach the council floor because the city clerk

accidentally forgot to read it." (Sedalia Democrat, May 18, 1971, p. 1) Cablevision said the reason for the rate increase was to improve facilities, cover increased operating costs, and begin local origination required by the FCC.

No further action occurred until July 19, 1971, when the City Council rejected the request for a rate increase. As a result of this action Cablevision, on July 22, 1971, announced that it was increasing the rate to $5.90 per month, effective August 1, 1971.

On August 16, 1971, the City Council passed an ordinance ordering Cablevision to refund all money collected over the $4.90 rate by September 1, or cease operations because of a canceled franchise by November 15, 1971.

Cablevision initiated court action against the City of Sedalia contending that Sedalia had "no power or authority to regulate such rates." (Sedalia Democrat, August 29, 1971, p. 1) The court was asked to issue an injunction prohibiting the City of Sedalia from terminating Cablevision's franchise. "Mayor Jerry Jones said the cable television firm's action was one which the city requested anyway." (Sedalia Democrat, August 29, 1971, p. 1) Cablevision, in an agreement with the County Circuit Court, established an escrow account to hold all money received above the $4.90 per month rate. If the case were decided for Cablevision, they could keep the revenue; if it were decided for the City of Sedalia the money would be returned to subscribers less expenses.

Cablevision's petition to the court consisted of two counts. Count I contended that the section of the franchise-granting ordinance which required the City Council approval of any rate increase was

unconstitutional because Sedalia had no power or authority to regulate rates. Count II contended that the action by the City Council on July 19, 1971, was unreasonable, confiscatory, and violated Cablevision's rights by taking property without due process of law.

November 22, 1971, saw the first local origination cablecast by Cablevision. It lasted for thirty minutes and was scheduled for broadcast once a week.

The City of Sedalia and Cablevision made their presentations in Judge Frank Meyer's Circuit Court on February 9, 1972. After listening to two and one-half hours of testimony, Judge Meyer took the case under advisement. This hearing involved only the first count which contended that the City of Sedalia did not have the authority or power to regulate rates.

On March 17, 1972, Judge Meyer ruled that Sedalia had the legal authority to regulate rates. He ruled that because there was a valid franchise agreement in existence, which Cablevision abided by, Sedalia could regulate CATV rates.

Cablevision and Sedalia met in court again on February 8 and 9, 1973, in Judge Meyer's Circuit Court. Among those testifying were Edward Drake, executive vice-president of LVO Cable, Inc.; William Lucas, a certified public accountant for LVO Cable, Inc.; James Brennan, a utility consultant hired by LVO Cable, Inc.; Councilman George Lockett; and Mayor Jerry Jones. The majority of the testimony "dealt with an economic problem--namely, the credibility of the LVO Cable, Inc., financial report of Cablevision given to the Countil." (Sedalia Democrat, February 11, 1973, p. 1)

Judge Meyer, on March 6, 1973, ruled in favor of the City of Sedalia on the second count of Cablevision's lawsuit. He held that "CATV failed to furnish competent profit and loss statement and balance sheets covering the years the system was in operation from 1965 to July 1971." (Sedalia Democrat, March 6, 1973, p. 4) Judge Meyer felt that because one councilman had testified that some rate increase was justified that the City Council had acted discretely and properly at all times. Cablevision indicated that an appeal would be filed.

Lynn Harrison replaced Jim Adkisson as manager of Cablevision on June 1, 1973. Harrison came to Sedalia from Weatherford, Oklahoma, where he had been general manager of the LVO Cable System subsidiary there.

On September 30, 1973, Cablevision announced that in the future they would televise City Council meetings as well as other local interest items. December 1, 1973, Cablevision televised a fund raising telethon from a church across the street from Cablevision. This was the first telethon to originate in Sedalia. (Sedalia Democrat, December 3, 1973, p. 5)

On December 16, 1974, the Missouri Supreme Court agreed with the Pettis County Circuit Court and upheld the City of Sedalia in the lawsuit with Cablevision.

In January 1975 Cablevision began making arrangements to return the money that had been collecting in the escrow account. The most that any subscriber would receive was $41 plus interest. Once the refund schedule was worked out it was to be submitted to Judge Meyer for approval.

On February 18, 1975, the City Council voted to retain the rate at $5.90 per month because of inflation since 1971. The Council also voted to reduce the franchise fee from 10 percent to 3 percent to meet Federal Communications Commission requirements. (Sedalia Democrat, February 19, 1975, p. 1)

Judge Meyer approved Cablevision's plan for calculating and distributing the refunds from the escrow account on March 21, 1975. Total refunds would amount to $207,784.33 to 8,167 subscribers. "Judge Meyer also complimented Harrison and Cablevision for the cooperation shown and the method of handling the escrow agreement and repayment plan." (Sedalia Democrat, March 21, 1975, p. 1 & 4)

During March 1975 an audit of Cablevision's financial records was conducted in Tulsa, Oklahoma, where the records were kept. In February Cablevision had offered to pay for an audit by a firm of the City Council's choosing to support Cablevision's justification for a rate increase.

On April 28, 1975, the City Council held a special meeting to receive the audit report and consider a new franchise ordinance for Cablevision. The audit showed that Cablevision had lost money in 1973 and 1974, and was expected to lose a considerable amount in 1975. At the same time a proposed new franchise was introduced by Cablevision attorney James Buckley. The new franchise proposed a 15 year lifespan, 3 percent franchise fee, and a $6.90 a month rate, as compared to a 10 year lifespan, 3 percent fee and $5.90 per month rate. Cablevision emphasized the franchise should be renewed no later than May 23, 1975, so that Cablevision could remain licensed by the FCC.

At a May 12, 1975, meeting of the City Council a committee was formed to negotiate the new franchise later, while the proposed rate increase was discussed at the meeting. "Harrison said if the company could get the increase it would be able to provide, besides better service, a channel for State Fair Community College, and a Civil Defense alert system." (Sedalia Democrat, May 13, 1975, p. 1) In referring to the rate increase request and the audit, Harrison said, "Centlemen, the figures before you show we are not pocketing that extra buck. We are paying bills." (Sedalia Democrat, May 13, 1965, p. 4)

On May 20, 1975, the franchise negotiation committee met with Lynn Harrison to develop a new franchise ordinance. Essentially all parts except the monthly rate were worked out agreeably.

On June 2, 1975, after considerable discussion, the City Council approved a first reading of the new ordinance with a monthly rate of $6.15. Cablevision expressed disappointment at the low rate and mentioned that the parent company was awaiting an announcement of the City Council's standards and reasoning for the decision before making any decision on the future of Cablevision in Sedalia. City Councilor Fritz warned the Council if they enacted an ordinance without guidelines for the rate the city would be "back in court within 60 or 90 days." Fritz stated that "fair and reasonable" did not go "far enough" in setting guidelines.

On June 8, 1975, an article, based on an interview with Harrison, appeared in the Sedalia Democrat. The article reported that the 25¢ per month increase would not help the financial situation very much. "This would be only a 4.3 percent increase in our

rates compared to the 70.7 percent increase in costs we have experienced in recent years," Harrison stated. "That wouldn't be enough to hardly make any difference for us at all." (Sedalia Democrat, June 8, 1975, p. 5B)

On July 7, 1975, the City Council defeated the proposed new ordinance on the second reading.

On July 14, 1975, Harrison made a brief appearance at a special business session of the City Council to ask for action on the requested rate increase. Harrison read a two page letter he had written pointing out that the rate dispute had been going on since the application for a rate increase had been presented January 30, 1975.

On July 21, 1975, the Council voted to grant a 25¢ rate increase, and approved the 15 year franchise with the 3 percent fee to the city.

Cablevision returned to the City Council on August 4, 1975, and resubmitted its application for a rate increase to $6.90. Cablevision submitted in writing that it accepted the new ordinance with the $6.15 rate but they were now asking to have that raised to $6.90. The new ordinance provided that the Council must act upon any new rate increase request within 60 days. A public hearing was scheduled for September 2, 1975, to get the views of the public on a second rate increase. The Council also appointed a committee to see if other CATV firms might be interested in operating in Sedalia. One councilman stated:

> If we pass an ordinance for $6.90 they will come back the next week and ask for $7.90. If we don't justify the $7.90 denial they'll take us to court. I'm not sure it's our obligation to see that Cablevision makes money. (Sedalia Democrat, August 5, 1975, p. 1)

Another councilmember offered this explanation of why he turned down the rate increase:

> A $1 increase was granted on December 30, four to five months later the Federal Communication Commission decreased their franchise tax by 7 per cent (from 10 per cent to 3 per cent). A 25-cent monthly increase in subscriber fees based on 5,500 subscribers was granted. They (Cablevision) were granted in excess of 33 and one-third per cent in all installation charges; a 25 per cent increase on the second hookup on a home. This is a 32 per cent increase in rates since Dec. 30, 1974; and in the end this is passed on to the public. There is just so much they can take. (Sedalia Democrat, August 5, 1975, p. 2)

A public hearing with officials of Cablevision's parent company, United Cable Television (UCTV) of Tulsa, Oklahoma, presenting their justification for their rate increase request, was held on September 2, 1975. The public was not happy with the meeting as officials and council members took most of the time, not allowing public comments until last.

Lynn Harrison left his post on August 31, 1975, to take a job with another firm in Norman, Oklahoma, but attended the September Public Hearing to answer questions.

October 6, 1975, the City Council voted unanimously to deny the rate increase from $6.15 to $6.90. The council stated that the $6.15 rate would produce a fair profit and rate of return for Cablevision, that the rate was in line with national averages and that the rate was reasonable in light of current inflation and economic trends. (Sedalia Democrat, October 7, 1975, p. 1)

Cablevision filed a petition for review in Pettis County Circuit Court against the City of Sedalia on October 30, 1975. The petition said that the city's denial of the rate increase was "unconstitutional and contrary to the provisions of the 14th amendment" of

the U.S. Constitution, because it deprived the company of "property without due process of law." The petition stated that the Council's action was "arbitrary, capricious and unreasonable."

The Democrat reported on March 16, 1976, the approval by the City Council for the sale of Cablevision's franchise to Total Television Ltd., a corporation composed of seven persons from Sedalia and Columbia. The corporation buying out Cablevision said they were going to spend somewhat "less than $75,000" to install "some of the latest amplifying equipment and new cable" where needed. John L. Beatty is the president of Total Television, Ltd. Beatty, manager from 1965 to 1969, and one of the original stockholders stated: "My past experience with Cablevision is one of the reasons why I feel I had a qualified background for getting into this area again." (Sedalia Democrat, March 16, 1976, p. 1)

Other partners for Total Television included Third National Bank President H. W. Harris, Dr. Elliot Braverman and Dr. Robert Stockwood, all of Sedalia, and Carl Sapp, Larry Woods and Scott Orr, who are Columbia lawyers.

The sale price of the assets and franchise was to be worked out by April 1, 1976, and the sale to be completed by the end of April. There was to be no change of personnel.

The Interviews

Procedures for the Interviews

The interviews with the City Council were conducted April 15-21, 1975, with seven present, two retiring, and two councilmen-elect. The interviews were conducted by telephone from the researcher's home. The interviews with the employees of Cablevision, Inc., were conducted face-to-face in the offices of Cablevision on April 7-10, 1975. The employees interviewed by the researcher were the manager, the office manager, the secretary, and chief technician.

Investigation into the history of Cablevision revealed a subscriber who paid for a half page ad in the Sedalia Democrat complaining about the quality of service provided by Cablevision and seeking others who agreed with him. This gentlemen was also interviewed.

Results: City Council Members' Interview

Council members were interviewed on the following areas: personal data; quality of service provided by Cablevision; relationship between Cablevision and the City Council; possible future services; failures, successes, and future of cable TV in Sedalia; Cablevision managers; Cablevision rate requests; and the franchise negotiations which were taking place at that time. To protect confidences the mayor and members of the City Council will be coded as Council members A through K.

All but three of the Council members were elected for the first time in the 1970's. One was first elected in the late 1960's and has been reelected each two year term since; one was first elected

in the 1940's and again in the 1970's; the third Council member has served since the 1950's for "nine years, off and on."

Occupationally the Council members are primarily business and professional men. Two are bankers; five are businessmen; two are supervisors, one is a tradesman; and one is retired. The Council members averaged twenty hours per week on city council business although one Council member reported spending six to eight hours per week. Two of the Council members were not subscribers to cable TV. They went off the cable at the time of the litigation in 1971.

Responses of Council Members. A majority of the Council members felt that Cablevision was providing good quality services. Six of the Council members responded that it was good, one felt it was marvelous, and only two answered that the service was poor.

The relationship between Cablevision and the City Council was also questioned with five of the Council members responding. One felt that the City Council had not always received the full cooperation of Cablevision, particularly with regard to financial information. The other four felt that the relations between the City Council and Cablevision were good with few problems. Generally the Council members believed that the cooperation between Cablevision and the City Council improved considerably after Lynn Harrison became manager of Cablevision.

Council members were asked about other services that had been proposed for addition to the cable system. The proposed new services included an emergency alerting system that could be used to warn Sedalia of natural disasters; a character generator for use by the Chamber of Commerce; adding a line to State Fair Community College so

they could do cablecasting; and advertising on the local origination channel.

The Council members were questioned concerning any other services that they would like Cablevision to provide. Four of the Council members wanted to see more local programming and one wanted sports and movies. The others did not know of any other services that Cablevision should provide.

Only eight of the Council members responded to questions concerning local programming on the cable with Channel 2. Responses ranged from "never watch it" (C and three others) to "Quite a few people watched it when they were telecasting" (A). Council member B was the most critical, commenting, "They haven't got the talent or equipment. Quality is poor, talent is lacking, production is poor, and it's black and white."

Eight responded to the question of failures of Cablevision. Six Council members responded to the area of the emergency alerting system. Council member C was unfamiliar with the proposal, yet thought it might be a good idea, while F felt that it was a "good idea for civil defense." Although I felt that "civil defense is the number one priority for the community," Council member H remarked that "nobody had mentioned it to him." F believed that it was "a good idea for civil defense," while Council member K felt "It is just unlimited the services they can provide."

Only three of the Council members responded about the subject of the character generator being installed at the Chamber of Commerce. Council member K was unfamiliar with the subject, while J thought it

"might be good for local news," but it wasn't worth a rate increase just to get the service. I felt "that it's certainly an idea," although he didn't "know just how much viewing that would get."

The idea of a line to State Fair Community College got responses from three of the Council members. Council member F felt that such an idea "would be a decision between Cablevision and the college," while Council member I felt it was a good idea. J "didn't know" about a line.

Generally the Council members felt as did Council member A that it "would depend on if the service would be used by all the people or by a group."

On the question of advertising being allowed on the cable, only five Council members responded. K felt "No, not at this time," while F could "see nothing wrong with it" and J had "No comment." Council members G and H couldn't answer now, feeling that the outcome of presentations of the new franchise would sway their feelings.

The responses ranged from "Oh" (C) to "It is just unlimited the services they can provide." All of the Council members felt that the emergency alerting system and character generator for the Chamber of Commerce were good ideas. Council member F felt that these were "a worthwhile service" while Council member J thought they would "be good for local news." Other Council members felt, as did Council member A, that it "would depend on if the service would be used by all the people or by a group." On the question of advertising being allowed on the cable, only five of the Council members responded. The responses ranged from "No, not at this time" (K) to "I see nothing wrong with it" (F) to "No comment" (J). Two of the eight felt that Cablevision did

not have any failures. Of the six who felt Cable TV had failures in Sedalia, three Council members responded that the main failure was poor service--either poor quality or poorly qualified people. The remaining three Council members felt that cable TV's failure in Sedalia was poor public relations.

All eleven Council members noted that success of cable TV in Sedalia was improved reception and the increased number of stations available.

The future of cable TV in Sedalia evoked several different replies from the six who responded. Council members F and H felt the future was good, Council member I felt "it depends," and Council member E said that "as long as they do all right, it's all right with me." Council member B replied that there will "definitely be a cable TV, whether this one or not." "I don't think there's any limit to the future, if they are given a free hand" was the response of K.

Six Council members were aware that Cablevision had televised City Council meetings at one time. Council member J felt that it was a good idea but should be done by Cablevision as a service to encourage new subscribers. Council member G felt that the televising of the Council meetings was good but did not "think enough people tuned in to watch it." B and G felt that Cablevision ceased telecasting the Council meetings because "they didn't get enough people to tune in to it." F felt that "the public reaction was very good. The reason they discontinued it was a financial reason." D knew that "they did that for 3 or 4 meetings" while C was not aware of the televised meetings.

Because a new franchise was under negotiation at the time of the interviews, five Council members were asked what the new franchise

might include. Council members D and E stated what would be in the new franchise would depend on the results of the audit. F felt that the new franchise "would preclude them from having to make application to the Council for certain rate increases." B speculated that the proposed franchise would contain the criteria for approving or rejecting a rate increase request. J did not "know yet" what it would be.

H and K discussed why the City Council lowered the franchise fee from ten percent to three percent. Both indicated that, in addition to the FCC requirement, the Council lowered the rate to help Cablevision make more money without raising the rates.

Cablevision has had three managers since it began operation: John Beatty, Jim Adkisson, and Lynn Harrison. Only four of the Council members knew Mr. Beatty when he was Cablevision manager. Council member G was the only one who said more than the fact that he knew Mr. Beatty. G stated that he "knew him long before he ever took over as manager of Cablevision."

Seven of the Council members were familiar with Jim Adkisson. B's only comment was that the City Council "hardly ever saw Adkisson. The only time we ever saw him was when they wanted an increase." However, H felt differently. "I certainly can't say anything against him. He did little talking with the negotiations." All the members who knew Mr. Adkisson felt that cooperation and communications between the City Council and Cablevision were diminished during Mr. Adkisson's tenure. Part of the cause was the result of the litigation and partly Adkisson's personality.

All eleven were familiar with Mr. Harrison and many referred to him on a first name basis. According to G "Mr. Harrison is one of

the nicest . . . most conscientious managers I've known . . . I think he's a wonderful manager." Council member A felt that Harrison was making more of an effort to inform and assist the City Council than previous managers. J remarked that Harrison was "a personable young man who is capable of doing the highest for Cablevision." Council member B also believed that Harrison was a more capable manager. "Mr. Harrison is the most informative and capable. We see a lot more of him." H, who had known all three managers, said ". . . he's been cooperative with the Council. We actually dealt with him directly more than any of the others." F agreed with this evaluation and summed up the Council's feeling by stating, "He is a perfect gentleman. You can talk to him any time and he tries to get as much information as he can for us . . ." One Council member commented on the fact that the Harrison phone number was listed in the phone book, whereas Adkisson had not had his phone listed.

Council members were asked about their impressions of the presentations made by Cablevision and LVO in 1971 when they asked for a rate increase. Five of the Council members were on the City Council at that time and all five responded. B felt that LVO's presentation, over dinner at the Bothwell Hotel, was "offensive." "They were just trying to tell us we were a bunch of yahoos up here who didn't understand anything." G was "impressed with the way they gave it." Council member K referred to it as "The run-around." They "flew in experts from Washington and they hired an attorney to come in and explain this all to us and why they had to have it. But we were never allowed to see any actual figures." B and H remarked that the court

case that resulted "was a test case for other cable TV's because there had never been a case like ours before." In the 1971 presentation LVO made extensive use of 35 mm slides. F felt that "the general theme of that slide show was that they should be able to set their own price, set a price that the market dictates." F seemed to sum up the Council's feelings when asked about his impression of the presentation--"Slick."

Only four answered questions about the actual rate increase in 1971. A, who wasn't on the Council in 1971, felt that "the raise was justified. It's unfortunate that it had to end up like it did." H remembered that:

> They (LVO and Cablevision) just did not prove to us that they were entitled to a dollar increase. Some of the Councilmen thought that they were entitled to some increase, but when we talked to them about giving them a partial increase they refused and said they would not accept less than a dollar. So from that point we said well we wont give you the dollar and that's when all this litigation started.

C, who wasn't on the Council at the time, felt that in 1971 "they were deserving of a rate increase. They proved they needed the increase and were losing money. Like any utility they shouldn't lose money or get fat on people. They ought to get a fair return." F pointed out that the City Council probably would have given Cablevision "a 25¢ increase plus a franchise reduction, but Cablevision would not accept anything less than a dollar."

Nine of the eleven Council members responded to questions about the 1975 rate increase request from Cablevision. A felt that "they are justified in asking for another rate increase, but the timing is off just a little bit. If they had waited until September or October they wouldn't have encountered near the resistance they have now." E also

agreed that the timing was poor "both in the past and now." Council members D, F, and J all expressed a desire to withhold any comments concerning the current rate increase request until the auditor's report had been received and approved by the City Council. Both I and K were "definitely not in favor of it now," based on the current situation. Council member J felt that the $5.90 rate was "about right with the latest raise. But we are examining their finances to see if they need another 20¢ or 30¢ or what, but I don't think that feasible." Council member B stated that the City Council's concern about Cablevision's request for a rate increase was that "with the rate increase and the decreased franchise fee, they ought to be making $50,000 a year more. They claim in their reports to us that they are down $60,000 now, but I don't believe them."

In concluding the interviews each was asked if they had any other comments or areas they wanted to talk about. Four of the Council members declined to make any further comments. J believed that "Since Sedalia's franchise has withstood the test of the courts, several other cities may model their franchises after ours." Rudeness was one complaint of Council member I. He mentioned that he had received several complaints on rudeness about "the people that answer the telephone, their billing people, and their people that go out in the home and install." H felt that because of the inconsistency of Cablevision's financial figures that the City Council needed to send "someone" to LVO headquarters to examine Cablevision's books. H also felt that they needed someone who "knows what they are doing and get one set of figures, and that will help us." On the subject of leasing channels, G said that he "would never vote to just let them have a free hand and

let them lease a channel to just anyone or to any program. I think it has to have supervision over the programs they would lease to." Council member F agreed and stated "there certainly would have to be some safeguards there." According to K part of the reason for the court case was because "their association wanted a test case. Halfway through the negotiations they took a hard stand and asked for one dollar or nothing, and the negotiations broke down."

Council member K seemed to sum up the feeling of the City Council about cable TV with this remark. "Every member of the Council would like to see some form of government agency to regulate it, but not the city. They are part of too large a company for a town the size of Sedalia to fight it. It is a responsibility that should be accepted by the state, or Federally."

Summary

The Council members believed that the service being provided by Cablevision was satisfactory. But most of the Council members were unaware of the many other services that Cablevision was offering to provide. The only other services that Council members wanted were local programming and movies all day long. Most of the Council members were critical about the quality of the programs which had been produced on the local programming channel. They generally were critical of the poor quality picture and the fact that the programs were in black and white.

The Council members all felt that cooperation between Cablevision and the City Council had improved considerably since Mr. Harrison became manager, and since the litigation had been settled.

Poor relations with the City Council and poor service were cited as the only failures of cable TV in Sedalia. However, the City Council members felt that the future of cable TV in Sedalia was good, whether it was Cablevision or some other cable TV firm.

The new franchise was also discussed by the Council members. Those Council members who responded thought that the new franchise would include criteria for determining rate increases. In addition, the City Council reduced the franchise fee to help Cablevision make money, not because of the FCC rule limiting the fee to a maximum of three percent.

Of the three managers that Cablevision has had the current one, Mr. Harrison, is the one who was rated as the most cooperative and informative. Those Council members who were on the City Council at the time of the 1971 rate increase requests were not impressed with the manner in which LVO and Cablevision presented their case for a rate increase. Although Cablevision appeared to have justified some rate increase in 1971, the Council members did not believe they had justified a full dollar. The 1975 rate increase request did not meet with any more success, although timing seemed to be a problem. The results of an audit were being awaited before most Council members would comment on the 1975 rate increase request. Generally there was a feeling of disbelief concerning the financial figures provided by Cablevision.

The Council members believed that because they had won a court case involving the regulation of rates that their franchise ordinance was a model for other cities. In conclusion the Council members thought

some state or federal agency should be established to regulate cable TV systems within cities and towns.[2]

Employee Interviews

Background of Employees

The manager, office manager, secretary, and chief technician of Cablevision were interviewed in their offices. Areas covered in the interviews included: personal background, services offered by Cablevision, management practices, Cablevision finances, future of cable TV in Sedalia, personnel practices, relationship between Cablevision and the City Council, cablecasting, and plant and equipment.

The manager began his career in cable TV in 1965 as a manager-technician/partner at Shamrock, Texas. He remained there until 1969 when he became manager of the cable TV systems at Sweetwater and Rotan, Texas. At Sweetwater he had his first experience with cablecasting. After two years the cablecasting in Sweetwater failed because of a lack of interest. In 1971 he moved to Weatherford, Oklahoma, where he concluded an agreement with the local college for them to do cablecasting. In June 1973 he was selected to become the manager of Cablevision in Sedalia. He was active in cable TV associations within the region. The manager defined his management philosophy as "a seat of the pants type managing. Our philosophy changes weekly or daily. We do what is necessary." Asked to define the purpose of Cablevision, he responded that it is "to deliver as many

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[2]See Appendix B for 12 main areas of Council members responses.

quality signals as possible. Another goal is to get a return for the stockholders."

The office manager has worked for Cablevision since March 1969. Prior to that she had worked at Montgomery Ward in the offices. Her primary duties include management of all accounts dealing with checks, paying all bills, receiving payments from subscribers, filing, and receiving trouble calls from subscribers. Generally she supervises at least two other office personnel, although sometimes there are three people that she supervises.

The secretary has worked for Cablevision since June 1973. Before that she worked as a receptionist for the Saint Petersburg (Florida) Times newspaper. Her chances for advancement are limited to moving up to office manager. Her primary duties include receiving payments from subscribers, writing up trouble call descriptions, installations, disconnects, and preparing inputs for the California-based computer.

The chief technician has been working for Cablevision since April 1974. He began working for Cablevision after graduation from technical college following four years service in the Air Force as a communications repairman. His primary duty is supervision of the installers and technicians. He is responsible for the plant and operations, repair of all equipment, weekly technical reports to the corporate headquarters, scheduled maintenance, supervision of any system construction, and providing technical assistance to the other technicians. He is responsible for supervising the activities of four installer-technicians who have some electronics background. Underneath the chief technician are two positions: installer and line technician.

Results: Manager's Interview

The manager was asked about what problems he had encountered as manager and how he handled them. He mentioned several problems, primarily technical, which Cablevision has handled. These included the problem of interference between channel 5 on the cable and channel 6 which broadcasts in Sedalia. This problem has been improved by Cablevision buying "new and better antennas. We bought a new antenna for channel 5 out of Kansas City that cost us over $3,000. Plus we have conducted line surveys to determine the proper amplifier location." He continued that "we have had many new technical standards levied upon us by the FCC. And we have replaced much equipment that was originally installed which was poor quality." The manager mentioned that there were three services that he would like to be able to provide for Sedalia. These are:

> . . . an emergency alerting system which would allow key Civil Defense personnel to call a special number and have a message broadcast over all channels by interrupting the program in progress; run a separate line to State Fair Community College so they could use their color studio to broadcast programs on channel 2; and place a character generator at the Chamber of Commerce office where messages could be broadcast on channel 2 in the form of a ticker tape with local news and messages.

If the proposed rate increase were approved immediately the emergency alerting system could be installed by "July 1, 1975, the line to State Fair by September 1, 1975, and the character generator by September 1, 1975."

The subject of dealings with the City Council brought an interesting reply from the manager. "It's been a good experience for me. We've had some good outcomes and some not so good." His biggest problem in dealing with the City Council has been the "bad feelings

from previous owners." When the franchise was originally granted "there was a big hassle about who should get the franchise." In 1964 and 1965 a lot of people were buying cable TV systems,

> . . . to make a lot of money. Some local people decided to get into the act and make some money also, even though they had already made a lot of money. . . . Local people were mad that someone with a lot of money should make more, but they didn't have the political pull. The people with the money had the political pull and were able to get the franchise away from those who knew how to operate a cable system.

Asked if there was a problem communicating with the City Council, he replied:

> Yah--there was none. I'm in a very unique position--I can look back and say, "Boy, you idiots really dropped it here." Looking back I can see that no effort was made. . . . In the cable TV business we can't be just a businessman--we have to get everybody's blessings. In 1970 and 1971 we were acting like a bunch of businessmen and felt we didn't need anybody's permission to do business the way we wanted to.

The manager felt that Cablevision had not made a profit since 1971 because the City Council would not allow Cablevision to operate in the marketplace like any other business. The new franchise, the manager felt, would nail down everything and permit very limited flexibility. He believed that flexibility was the mistake made in the first franchise. "If they (the City Council) want a first class cable system they will give us a dollar increase. If not, then they won't."

Queried about the problems involving cablecasting, the manager felt that they were mainly technical. He felt that they were trying for network quality programs with classroom equipment. The City Council's attitude toward cablecasting has been "very, very blase." They felt that local origination was Cablevision's experiment and the cost should not be passed on to the subscribers. The first time Cablevision televised a City Council meeting, the Council members were

very cool and tried to ignore Cablevision being there. After the first program they became very conscious of being on television. Subscriber reaction to the televised meetings was negligible and the programs were cancelled. The manager believed that Cablevision had done some good work but that the downturn in the economy and the franchise prohibition against advertising made it uneconomical to continue.

The future of Cablevision in Sedalia "looks good--the whole package would make this the best cable system in Missouri." The manager feels that the employees are very dedicated to quality service and the success of Cablevision.

The quality of the system was of concern to the manager. He felt that his hands were tied by the headquarters in Tulsa to prevent him from making the system improvements that he felt were necessary. He implied that Tulsa would not authorize improvements in the system until the subscriber rates had increased sufficiently to permit a profit.

The question of who should regulate cable TV was mentioned often by the manager. As president of the Missouri Cable Television Association, he led the fight to prevent the establishment of a Missouri Cable TV Bureau within the state government. Moreover, he feels that cable TV should not be regulated like a utility but should be able to compete as any other business that provides a service to the public.

The manager revealed that the executive vice president of UCTV had been his "benefactor" while he had been employed by UCTV. This gentleman had been responsible for his getting the various increased

positions of responsibility within UCTV. At the time of the interview there was a power struggle going on within the top echelon of UCTV. He felt that if his benefactor lost the struggle, he would not be at Cablevision much longer. The benefactor lost the struggle in the summer of 1975, and on September 1, 1975, the manager left Cablevision for employment with another cable TV system not in the UCTV system.

Summary: Manager's Interview

The manager feels that most of the problems dealing with cable TV quality and service have been overcome in the last two years. In addition there are improved services that he would like to offer Sedalia, such as an emergency alerting system, addition of State Fair Community College to channel 2 for cablecasting, and installation of a character generator for the Chamber of Commerce use. To him it appears that most of the problems with the City Council are the result of poor communications before he arrived at Cablevision. The financial problems of Cablevision have been due to the treatment of Cablevision by the City Council as other than a normal business. Cablecasting has failed because it was uneconomical without Cablevision being permitted to advertise. In summary he feels that the future of Cablevision is good and will continue to be so with the help of concerned employees.

Results: Other Employees' Interviews

The employees were questioned about the hiring and salary practices of Cablevision, as compared to other businesses in the local area. Employee 1 felt there was no difference in hiring practices, although "we've never had any blacks apply here." Pursuing this line, Employee 1 was asked about the turnover of personnel. Employee 1 felt

that the turnover was very high because of the low pay. Even with laws that prohibit discrimination "there is a big difference" in pay between male and female. Employee 2 answered "No Comment" to the question of comparability between the salary received and that received by other employees. Employee 2 felt that part of the rate increase received in January 1975 should have gone toward a salary increase "because I feel like I have done a good job and deserved it." Employee 2 did not consider the salary competitive with other similar positions within the Sedalia area. Employee 3 felt that "the pay here is low, but it could be a lot better" to attract people to this field.

The employees were interviewed concerning their relationship with the manager. The office manager had known all three managers of Cablevision. Mr. Beatty was characterized as being all business whereas Mr. Adkisson was described as being very meticulous, thorough in keeping records, honest, easy to work for, and a man who let you know where you stood with him. Employee 1 described the relationship with Mr. Harrison as informal and easy going. Employee 2 felt that the manager wasn't "an easy man to work for." Employee 3 felt that they had a "very, very good relationship. We know each other's capabilities."

The employees were also asked about the quality and service offered by the system. Employee 2 felt the facilities were "depressing--it isn't well heated. I don't think it's a good office atmosphere." Employee 1 believed that it had improved. "Definitely, very definitely. Picture quality, everything has improved." Employee 3 felt that ". . . it's gonna take a complete rebuild of the system to get it up to the desired viewability. We have improved considerably."

The chief technician was able to offer insight into the problems he had faced in the last year with the system. Until 1974 the cable TV system was a patchwork of sloppy maintenance and inadequate equipment. Now they "are replacing equipment and doing scheduled maintenance instead of principally trouble calls." The current chief technician initiated the scheduled maintenance plan. Doing this type of work has decreased the number of trouble calls, improved the picture quality and generally made it a better system. Essentially they are ripping out entire sections of the cable to install new cable, taps, and amplifiers. According to the chief technician the quality of the system is measured by the number of trouble calls received which are due to system problems. They used to average 600 trouble calls per month for 4,800 subscribers, but now average 250 trouble calls per month for 5,500 subscribers. Two-thirds of these trouble calls are actually problems with a subscriber's television. He estimated that it will cost $100,000 and require two or three years to rebuild the cable system. He and the other installers had just completed an inventory of system equipment and "it looks bad on paper and it looks bad when you look at the equipment. The cable is just worn out--partly because of poor installation." In summary, the biggest expense in maintaining the system is the "vehicle expense for trouble calls."

The employees were asked what they thought about the services being provided by Cablevision. Employee 1 responded with "no comment" when asked if the subscribers were generally satisfied with the service. Employee 1 also did not think there were any other services that Cablevision should offer. Employee 2, however, felt that Cablevision should

offer "some good high quality local origination." High quality was defined to mean improved sound quality and color equipment for better pictures.

On the subject of cablecasting, or local origination, Employee 1 refused any comment on the subject other than to state that religious programming was the best idea Cablevision had had. Employee 1 would like to have it back. Employee 2 recalled how shortly after employment there were several high school students hired to do some cablecasting, and later a program director was hired, but there was nothing being cablecast at the time of the interviews. Employee 2 felt that cablecasting had improved in content from when it first began. Employee 2 rarely watched channel 2 because they never had anything "worth watching." The type of programs appearing were classified as "local community interest" by Employee 2. Employee 3 commented that, "We don't do local origination anymore. We stopped because we were operating at a loss with no revenue."

The employees were also questioned about their feelings concerning the proposed rate increase in 1971. Employee 2 responded such: "I think that we should have gotten it. Inflation has been rampant and the rate increase would have helped." Employee 1 believed that "the legal battle was awful, but I think we should have gotten the rate increase. The Council was hateful for not giving it to us." Asked why Cablevision had not made a profit since 1971, Employee 2 answered, "I guess it's because of this escrow thing. We were making a profit at $5.90 but the court decision wiped all that out." The handling of the escrow account had its problems. The 1974 escrow

accounts were dropped by the computer used by Cablevision and had to be reentered by the employees of Cablevision.

The office manager was able to add some additional information about what occurred during the 1971 rate negotiations. The request for the 1971 rate increase was not the decision of Mr. Adkisson, but the decision of the Tulsa headquarters of LVO. Mr. Adkisson was concerned that there would be problems with the City Council over the rate request, but followed the directions given him from LVO headquarters.

The topic of the relationship between Cablevision and the City Council elicited several unusual and interesting answers. Employee 1 knew "nothing about it, you'll have to ask Lynn," although, "As far as I'm concerned we could have a City Council or not at all--I don't care." Employee 2's only response was "Well, they don't seem to get along." Employee 3 felt that Cablevision was "getting them to come around to our point of view. It's a shame they didn't look at our situation more carefully than they did because there are a lot of services that we could have provided." Although Employee 3 had not had any contact with members of the City Council, "a lot of subscribers have commented that they think we are doing a great job, and would be willing to pay $6.90 or more to get better picture and service.

Employee 1 believed that the future of cable TV in Sedalia was going to be "big." Employee 2 didn't "want to talk about it" although "if we get the rate increase, it's a good future." Employee 3 concurred that the future "looks good."

The chief technician remarked that "the facilities here are next to nothing--I'd like to see them improved." He noted that most of the trouble calls they received which were related to the

subscriber's television were from elderly people who could not afford to pay for a television serviceman's call.

The secretary noted that the work was "not boring, but it is not challenging." The office manager was not too happy with the computer system that Cablevision was using, partly because it was based in California. "With the computer system we have now, everything is two weeks old. We can't tell if it is hot or cold, while when we had the cards we could tell if it was hot or cold."

Summary: Employee Interviews

The employees generally felt that the pay was low for the type of work they do. They appeared to have a good relationship with the current manager, although he was characterized as not being an easy man to work for. The quality of the sytem was not rated highly by the employees. They felt that the quality was poor, although improved, but the system required a complete rebuild before it would provide the quality they felt was necessary for subscribers. The problem with cablecasting appeared to be lack of quality and revenue. All the employees believed that Cablevision should have received the 1971 rate increase. The relationship between the City Council and Cablevision was not well perceived by the employees. They were aware the relations were not the best but indicated they believed the City Council was beginning to understand Cablevision's point of view. All the employees believe that the future of cable TV in Sedalia is good.

Other Interviews

Bill Hert Interview

On April 10, 1971, a Cablevision subscriber, Bill Hert, ran an ad in the Sedalia Democrat protesting the poor service and quality received by subscribers. He asked in the ad that all those who agreed with him clip out the coupon part of the ad and send it to him, or call him. Mr. Hert also wrote letters of complaint to the Federal Communications Commission, Missouri's U.S. Senators, and the district Congressman. Mr. Hert was interviewed by telephone on April 17, 1975, to determine why he had undertaken his one-man campaign.

Results: Hert Interview

Mr. Hert received 600 to 700 replies from other subscribers who felt the service was poor. He believed that the poor quality was caused by old and outdated equipment which needed to be replaced. "They put in cheap stuff to begin with and it only has a useful life of five to seven years. In a few words, it's just a bailing wire operation."

Having seen cable TV in several other cities, Mr. Hert felt that reception should be better than it was in Sedalia. "I'm not opposed to a rate increase. I don't care what they charge as long as we get some good service." As a result of Mr. Hert's ad the vice president of LVO came to visit him when the LVO headquarters group was in Sedalia for a presentation to the City Council. Mr. Hert was not impressed with the man.

The future of cable TV is very high according to Mr. Hert. He believes that Cablevision could provide much more for Sedalia than it

is if it were given the necessary money to install new and modern equipment. Mr. Hert feels that the quality of cable TV in Sedalia is worse now than in 1971 when he felt it was poor. Relatively knowledgeable of the FCC technical requirements of a cable TV system, Mr. Hert believed that he had managed to educate the City Council some about cable TV during the 1971 rate increase discussions.

Summary: Bill Hert Interview

Mr. Bill Hert felt so strongly about the poor quality service received by Cablevision subscribers, that he paid for a one-half page ad in the Sedalia Democrat. Out of a total of 4,000 subscribers, Mr. Hert found 600 to 700 subscribers who were willing to agree with him. Although "not a richman," Mr. Hert refused several offers to pay for the ad he placed. Mr. Hert believed that outdated and poor quality equipment had been originally installed in the Cablevision system, and this was the cause of the poor quality reception.

Interview: Dr. William E. McTeer

A personal interview by the researcher of Dr. William E. McTeer, Professor Financial Management at The University of Missouri at Whiteman Air Force Base, was conducted in May 1975. Dr. McTeer is a registered Certified Public Accountant in Florida, and has served as a financial advisor to several colleges and a major financial firm on Wall Street. Dr. McTeer's interview, along with the financial analysis by Stephen Lamkin, will comprise the financial analysis of Cablevision. Dr. McTeer had access to balance sheet and statement of income to make his conclusions.

Results: Dr. McTeer

Dr. McTeer classified the overall financial situation of Cablevision as bleak. The price that LVO paid when they purchased Cablevision was most likely based upon expectations of growth. "If the expectations were too high, then they did pay too much." In looking at the rate of return on assets, a figure often used by the City Council, he concluded that the rate was too low to justify the high price that LVO paid for Cablevision. Moreover, there probably were not too high profits prior to 1970 which would have caused these expectations. In addition, it is hard to believe that there might have been a sudden change to cause the current problems.

The method of showing the purchase of Cablevision was questioned by Dr. McTeer. Instead of financing it through Owner Equity, they financed it by using short-term assets, the advance to affiliates. "There is no way . . . this firm will be able to generate enough money in the short term (one year or less) to pay this liability off. Reporting it this way is totally unacceptable in accounting procedures. You never show anything in the short term account that you can't pay off within one year." The account has been carried in the current liabilities section for the last three years.

In addition, there are some liabilities which have a negative balance which is unacceptable. "These negative liabilities should be on the asset side of the balance sheet. When there are obvious irregularities like this, it makes you wonder what a strict audit would turn up." The current ratio, which is the ratio of current assets to current liabilities, is so low that Dr. McTeer almost laughed about it.

"If the data is accurate, the company is justified in asking for an increase."

The computer services expense paid by Cablevision appears to be a very high expense. "That's a lot to spend for such a small operation. They are probably spending money inefficiently in their computer services." Dr. McTeer suggested that Cablevision could probably hire a clerk and spend less money and do the job more efficiently. Looking at the overall operation of Cablevision, Dr. McTeer concluded that poor cost control or improper revenue increases were causing increased cost functions with the accompanying poor management indications. The management of costs has been inexcusable.

What the City Council must decide is if the services being offered are sufficient that they should approve any further rate increases. "It is reasonable for the City Council to expect to see new services or improvements before granting a rate increase, especially when past performance has been lacking." Dr. McTeer was asked if he would trust the figures given if he were on the City Council, and his answer was: "Oh no! The fact that they are not audited, the fact that they are only given by the company--I would not accept them." He felt that the City Council should insist upon a full audit before giving any further increases, not just an audit survey.

Summary

Dr. McTeer felt that Cablevision was engaged in some unacceptable accounting practices in their reporting of finances to the City Council. In addition it appears that the expectations shown by LVO in purchasing Cablevision were considerably higher than the financial past or present has shown to be justified. He also believed that the

management of expenses was being done poorly and cited as an example the computer services being used by Cablevision. In conclusion, Dr. McTeer felt that if he were on the City Council he would ask for a full certified audit before acting on any further rate increase requests from Cablevision.

Results and Summary of Financial Analysis

Financial data were obtained from Cablevision so that a financial analysis could be undertaken. The request for data was initially refused by the manager. After an explanation of the method of conducting the analysis, and assurances from the researcher and the analyst that all data would be retained in the strictest confidences, the manager agreed to provide the data. An adjustment factor known only to the analyst was applied to the financial data.[5]

According to the analyst, indications are that some areas of Cablevision's financial picture are encouraging. Revenue appears to be steadily increasing although it will probably level off as maximum penetration of the market is reached. Moreover, the rate of increase of expenses is slowing down and may become tolerable in the future.

Cablevision's expenses are the area that require the greatest attention from management. The service costs, as a percentage of expenses, are considerably above the average for cable TV systems of comparable size. The ratio of expenses to revenue is so large that it indicates serious financial problems for Cablevision. The inability of management to control expenses has placed Cablevision close to

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[5]See Appendix C for full financial analysis. Balance Sheet, Statement of Income, and Ratio Analysis are included.

financial collapse. If this trend can be reversed, within the next three to five years, the prospects for Cablevision extracting itself from a financial collapse are improved.

The overall prognosis for Cablevision is guarded. Management appears to be making some headway in gaining control of the increasing expenses. However, it appears that a rate increase will be required to provide additional necessary revenue. Better utilization of assets, especially cash, is urgently required. The large cash balance that is maintained would be better used if it were invested. The retention of the large cash balance results in lost interest for Cablevision. If the excess cash in 1974 had been invested in one year certificates of deposit, Cablevision would have earned an additional $7,000 in 1974.

The current accounting practices of Cablevision are questionable according to the analyst. If Cablevision intends to continue dealing with the City Council, it must insure that its accounting practices meet the recognized standards of the accounting profession. A full certified audit, not just a survey audit, is required to insure that Cablevision and the City Council are negotiating with the same data.

Correlation of Results

There are several areas which lend themselves to a correlation study. On the subject of quality of service provided by Cablevision there were seven of the nine responding City Council members, the manager of Cablevision, and two of the three employees who believed that the quality had improved or was rated as good or better. Two of the Council members, one employee, and Mr. Hert believed that the service quality was poor.

The relationship between the City Council and Cablevision was also examined. Four of the Council members, one of the employees, and the manager all felt that the relationship was good. Only one Council member and one employee felt that the relationship was poor.

The area of other services that Cablevision could/should provide resulted in varied answers. Four of nine Council members and one employee did not know of any services that Cablevision should provide. Four Council members and one employee suggested local programming, one Council member wanted more sports and movies, one employee hinted that there could be many other services, the manager listed three services he could provide soon, and Mr. Hert mentioned that there were several other services that cable TV could provide.

Four of the Council members and Mr. Hert never watched any of the local programming because reception was so poor. One Council member thought the idea of local programming was a good idea, one employee felt the local programs had improved in content, while one Council member felt the programs were no good because there was no talent or decent equipment. One other Council member thought the local programming ceased operations because there were not enough people watching the programs, while the manager, one Council member, and one employee said the reason for ceasing local programming was financial.

Five of six Council members, all three employees, the manager, and Mr. Hert said that the future of cable TV in Sedalia was good. The one dissenting Council member felt that the future of cable TV in Sedalia "depends."

Only four of the Council members and one employee knew Mr. Beatty when he was manager of Cablevision. Seven of the Council

members, and one employee knew Mr. Adkisson when he was manager of Cablevision. All eleven of the Council members, and all three employees are familiar with Mr. Harrison, the manager of Cablevision. Only Mr. Hert did not know him.

The 1971 rate request proceedings were rated by four of the Council members as: offensive; impressive; the run around; and slick. Four of the Council members felt a rate increase request for some amount was deserved as did two of the employees.

The 1975 rate and franchise negotiations were discussed by several of the interviewees. Two of the nine responding Council members said that the new franchise would contain provisions regarding future rate increase requests. Two Council members said the new franchise would depend upon the results of the audit which was pending at the time of the interviews. All nine responding Council members said the timing of the latest rate increase request was poor. Dr. McTeer agreed that the City Council should insist upon a full audit before entering into any further rate negotiations.

The responses concerning regulation of cable TV were few. One Council member felt cable TV should be treated as public utility, whereas one other Council member felt it should be regulated by a state or federal agency. The manager felt that cable TV should be able to operate as an independent business and one other Council member felt cable should be given a free hand.

The failures of cable TV in Sedalia were discounted by two of the Council members. Three of the Council members felt that poor service was a major failing, while three others felt that the major failing was poor public relations. The manager felt the major failing of

cable TV in Sedalia was the "catastrophic failure of local origination." Mr. Hert felt the failure was a lack of service and picture quality. Dr. McTeer and the financial analyst indicated that the major failing was management of finances.

All eleven Council members and the manager felt the major success of cable TV in Sedalia had been the improved reception and increased selection of TV stations available.

Chapter 4

CONCLUSION

As the Committee for Economic Development (CED) stated:

> Ultimately, any person will be able to have instant audio-visual communications with any other person throughout the world. The question is no longer whether such a result is technically possible but whether it is economically feasible and socially desirable. (CED, 1975, pp. 13-14)

With cable TV, expectations are to "bring opera to Odessa, Broadway to Bayonne, adult education to Appalachia, 'soul' to Watts . . . and sports--megahertz upon megahertz of sports--to superspectators wherever they are." (Kalba, 1972, pp. 195, as quoted by Adler, 1973, p. 30) Studies have shown that the potential of cable TV is unlimited or rather limited only by economics and people. Mr. Harrison, the former manager of Cablevision in Sedalia, stated that during the 1950's and 1960's people got into cable TV to make money and then got out. The people who bought them out are now trying to get the cable industry on stable feet to reach some of its projected potential. This potential was not reached as many had predicted it would be. (Harrison, April 7, 1975) People and finances seem to be the two things slowing down this growth. A review of literature indicates a growing interest in cable. The majority of studies have either recommended guidelines for development of federal, state and local regulation of cable technology or presented hypothetical models and financial projections to demonstrate the economic viability of cable in large cities. Studies have neglected people,

people who manage, govern and utilize cable. This study was undertaken to discover areas of interaction between people in one cable system.

Observations

As a result of the study, several observations can be made concerning the Sedalia City Council and cable TV in Sedalia.

1. Cablevision in 1971 and again in 1975 did not properly present its justification for a rate increase. In 1971 Cablevision demanded a one dollar increase, nothing less. To support their justification for the rate increase they brought in several executives from the Tulsa headquarters of LVO, plus an outside consultant, with a slide show for the City Council. They dined with the City Council members and put on their show in an attempt to convince the City Council that they were justified in requesting a one dollar rate increase.

The City Council members felt that the people from Cablevision and LVO were treating them like a "bunch of yahoos." Although the City Council offered less than one dollar for a rate increase, Cablevision demanded nothing less than one dollar, and litigation resulted which eventually went against Cablevision.

In the spring of 1975 while a new franchise ordinance was being negotiated between the City Council and Cablevision, Cablevision asked for another rate increase, even though they had just been granted a $5.90 rate two months earlier. When the City Council held a public hearing on the rate increase request, Cablevision once again brought in several key executives from the company headquarters to present their justification to the City Council. Once again Cablevision asked for nothing less than one dollar, although the City Council offered 25¢.

For the second time in four years Cablevision was turned down. From the interviews and attendance at the 1975 meetings, it was apparent that the executives of UCTV and Cablevision had not learned how to negotiate with the Sedalia City Council.

In order to get the new franchise, Cablevision accepted the 25¢ rate increase.

Once the new franchise was approved, Cablevision requested another 75¢ rate increase. In accordance with this new franchise, the City Council had to respond within 60 days. The 75¢ rate request was denied and shortly after Cablevision initiated litigation.

2. There was considerable political horsetrading involved in the awarding of the original franchise. Although the original franchise was awarded to an Iola, Kansas, firm owned by the Hudson Brothers, within a month the firm had been sold to a corporation headed by Mr. E. W. Thompson and Mr. Walter C. Cramer of Sedalia. To pay for the construction of the cable system, Thompson and Cramer sold shares of ownership to the construction company, part ownership to the new manager, and part ownership to twelve other stockholders. The new lawyer of Cablevision was the lawyer for one of the losing firms in the bidding. One of the lawyers for one of the losing firms was later to be the judge at the litigation involving Cablevision and the City Council.

3. If the information provided to the City Council appears to originate from the manager of Cablevision, the City Council tends to believe the information. If the information appears to be from UCTV headquarters, even though provided by the manager, the City Council tends not to believe the information. This problem in credibility stems from the refusal of Cablevision or UCTV to provide certified

audited financial information to the City Council. Instead, the UCTV executives offered to provide figures certified by the executives themselves.

4. The City Council believes that Lynn Harrison has done the best job of any of the managers that Cablevision has had. Because Mr. Harrison was more cooperative and visible to the City Council, they felt that he was a better manager. Moreover, the fact that Mr. Harrison provided more information to the City Council, and did so without reluctance, added to the impression held by the City Council members that he was the better manager.

5. Neither Mr. Harrison nor the City Council members understand financial information that was provided, other than profit and loss. Some of the basic terms and ratios of financial dealings were not understood by the participants in the negotiations. The purpose and use of depreciation, corporate overhead, microwave fees, proportionate share of corporate taxes, and other terms were not understood. The financial experts from UCTV did not take this lack of understanding into consideration when making their explanations to the City Council. As a result, they were talking over the heads of the Council members.

For example, the City Council did not understand that even though UCTV owned the microwave system that carried the distant signals to Sedalia, they still had to charge the same fee to Cablevision as to other cable TV systems. The Council members believed that the microwave fees were a dummy charge to Cablevision to make the financial picture look worse than it actually was. In addition, the Council members did not understand why Cablevision had to pay a proportionate share of UCTV's corporate overhead.

6. The City Council believes that Cablevision has been making a profit and hiding it under false expenses. They have this belief because of the conflicting financial data which they have been given over the years. An example of this can be seen by comparing the audit received by the City Council and the FCC form 326 filed by Cablevision. There are several expenses which show on the audit but do not show on the Form 326 as expenses. There were enough expenses not listed on the 1974 FCC report that were listed on the audit to turn the loss into a profit.

In a letter attached to a copy of the FCC Form 326 for 1974, the UCTV comptroller pointed out that the "FCC Form 326 does not necessarily require adherence to generally accepted accounting principles whereas financial statements for stockholders, lenders, etc. do require such adherence." In spite of this statement, there were still several discrepancies noted between data that were reported to the FCC and data that were included in the audit report. It appears that the City Council was justified in questioning the credibility of the financial data being provided by Cablevision.

7. What the City Council members consider to be the successes of cable TV in Sedalia are actually the purposes of a cable TV system. However, the employees mentioned no successes and the manager mentioned only one episode of local programming. The Council members consider the success of cable TV to be the improved reception compared to the normal over-the-air signals, and the wider selection of television stations to watch. The employees did not mention anything they considered to be a success while the manager considered a telethon to raise money for the hospital auxiliary to be the one success of Cablevision.

8. Everyone agrees that service has been the major shortcoming of Cablevision. The problem is that there is no agreement as to what comprises service. Some consider service to mean technical quality of the picture and sound, others consider service to mean the repair and correction of system problems, while still others consider service to mean the cooperation, information, and public relations in dealing with the City Council. All are definitely areas in which Cablevision has had problems. All are also areas where Cablevision has improved, although there is some question about whether they have improved enough to satisfy subscribers and the City Council.

9. Of the sixteen people interviewed, only the manager and three others were aware of other services that Cablevision could provide. Although the manager stated that he had talked to several of the Council members about services that Cablevision could offer if the rate were increased to $6.90, only one of the Council members could recall any of the services that the manager had mentioned. This could indicate that the Council members are not retaining the information that the manager is explaining to them.

One of the complaints about Cablevision was that they were not offering enough services to subscribers. Yet those who regulate the cable TV system in Sedalia were unaware of the potential that cable TV has to offer. Only the manager, the chief technician, and Mr. Hert were aware that there were services other than the ones mentioned by the manager, which cable TV could offer. This indicates that the potential of cable TV is not being sold in Sedalia, only the clearer reception part of cable TV. If Cablevision is to increase the number of

subscribers significantly above the current 5,500, then they must inform or show people the potential of cable TV.

10. The reason cablecasting failed was inadequate budget, inadequate equipment, and failure to inform subscribers of programming schedules. Several of the people interviewed felt that cablecasting was a service they would like to see more of from Cablevision. As Ledbetter pointed out:

> The rate at which this demand grows and the degree to which cable meets the needs and desires of people will depend heavily upon the content, management, technology, and financing of cable origination. (Ledbetter, Chapter 2, p. 39 in Tate, 1972)

A review of the literature (Tate, 1972, Feldman, 1970, Blair, 1974) indicated several factors involved in the success formula for cablecasting. These factors include:

a. Keep local programming local to maintain interest.

b. Use broadcast quality equipment--color if possible. Cost for color equipment would be about $95,000 plus the cost of a permanent studio.

c. There must be a paid staff to coordinate and produce programs, and do repairs on the equipment.

d. Inform subscribers of program schedules.

e. Advertising is essential for operations to at least break even.

f. Support from all levels of management is essential for cablecasting to be successful.

Cablevision has been lacking in all these areas, especially management support from UCTV. In establishing the cablecasting originally they provided used equipment that was no longer needed at another cable TV system. In addition, they operated under a franchise which prohibited

any advertising revenue by Cablevision for cablecasting. The only reason they were allowed to continue with the cablecasting is because of the FCC requirement for it. Budget for operations was less than $500 per month to pay salaries, booking of programs, equipment, promotion, etc.

11. The employees were justified in their complaint about insufficient salary. The secretary was paid slightly more than minimum wage although the duties of the position were more than would normally be expected of a secretary. The installer-technicians are also paid below the level they could earn in other related jobs within the communications-electronics area. The office manager with the seniority and responsibilities seems to be underpaid. Part of the problem may be symptomatic of the economic conditions of this geographic area. However, to attract and retain qualified personnel, cable TV must pay wages that are attractive and competitive.

12. There are limited lines of communication between the City Council and Cablevision. The message sent was not always the message received. The previously cited example of other services that Cablevision could offer shows that not all Council members receive the information presented to them. Moreover, not all members of the City Council were informed of proposals and actions by the managers of Cablevision.

Although the Council members have repeatedly asked for financial information from Cablevision, they were seldom satisfied with the information they received. It was as if they were seeking some single golden figure which would tell them whether or not Cablevision was actually making a profit. The problem was that they did not believe any

financial information provided by UCTV or Cablevision because it had not been "certified" by a CPA, or other recognized authority. Even with the survey audit the members were still not satisfied with the information.

13. The franchises between Cablevision and the City of Sedalia have not been descriptive enough to prevent personal interpretations from entering the picture. Almost every member of the City Council has his own definition of what Rate of Return meant, and because of that they have been unable to determine what a fair rate of return should be for Cablevision. As a result the Council members have used "feelings" to determine what kind of a rate of return Cablevision should get. All the members used the phrase "that feels about right for them" when referring to their decision to grant the latest rate increase of 25¢.

The current franchise specifies that the City Council must state what criteria were used in arriving at a decision regarding a rate increase, but it does not refer to the validity of the criteria used, or even whether all participants in the negotiations agree to these criteria. As a result of this lack of clarity, the current franchise is once again causing trouble between the City Council and Cablevision. Personal interpretation of what constitutes valid criteria or "fair" has caused litigation to result twice.

14. The computer system used by Cablevision costs more than the benefits it generates. For 1974 Cablevision spent over $10,000 for computer services, most of which could be handled by the two office employees, perhaps with the addition of a third employee. The third

employee could easily be hired for considerably less than $10,000 per year. In addition, the records would be available for immediate access. Because of the need to mail records and information to California where the computer firm is based, the information on hand in the Cablevision office is consistently at least two weeks old. In the case of disconnections for nonpayment of a bill, such a subscriber is receiving two extra weeks of cable TV for free, which is costing Cablevision money.

Although the computer system may be necessary for UCTV's operations, the imposition of this system on Cablevision has unduly hampered Cablevision's operations. Moreover, it has decreased the timeliness of their response to situations because of the need to wait two weeks for results.

15. The original design and layout of the cable system was poorly executed. Evidence indicates that poor quality equipment was originally installed and maintained. For example, it is recommended that amplifiers be installed at least one every 1,500 to 2,000 feet of cable. This was not the case with Cablevision. In some spots the cable went over a mile without an amplifier; this has been corrected in the last two years. Because of the location of the headend there are some areas of Sedalia that will continue to have poor quality reception because of the distance from the headend on a particular trunkline. The reception will not improve until the length of the trunkline is shortened or the headend is relocated.

16. Management policy from UCTV headquarters has not permitted flexibility on the part of the local managers. Even though some of the equipment has been worn out since 1973, UCTV would not permit replacement of the equipment until the rate request was granted. As a result

the quality of the system was degraded. In addition, the local managers desired to keep records in Sedalia but were overruled by UCTV executives when the computer system was installed. All rate requests for increases came from the Tulsa offices instead of from Sedalia. Once a desired increase had been decided there was no retreating from that set figure, even if litigation resulted. As the office manager pointed out, all budget decisions were made in Tulsa, even when to replace trucks or equipment.

Conclusions

As a result of this study there were three conclusions that were evident:

1. Cable TV in Sedalia would be better off operating separately from UCTV, or with different management policies.[1]

2. Cablevision and the City Council need to work out a better franchise which is more descriptive, flexible, and concrete.

3. Better lines of communication must be established between the City Council and Cablevision.

Limitations of the Study

1. This study did not explore the parameters for Cablevision to do local origination successfully. 2. The lines of communication within the City Council or Cablevision were not studied. 3. Only one system was explored. 4. It did not undertake a survey of community leaders and their awareness of possible utilization of a cable system. 5. A

[1]Cablevision was sold in April 1976 to Total Television of Sedalia.

demographic study of the city and the subscribers to the cable system was not undertaken. 6. Technical areas were not fully examined. 7. A complete financial analysis was not undertaken. 8. Management techniques were not fully studied. 9. Subscribers were not interviewed about the cable system. 10. Political affiliations of City Council members was not studied or their voting records.

Implications for Further Study

1. Follow up study with the new management of cable TV in Sedalia should be undertaken.

2. Study of management techniques and marketing would be useful to discover trends.

3. A study of other systems should be done to determine which are successful and determine the correlation of flexibility of the franchise and/or management techniques.

4. Study of subscriber awareness in a small to medium cable system is needed.

5. Study of community leaders and their awareness of cable is needed.

6. Study of other media and its effect on cable in a town or area should be conducted.

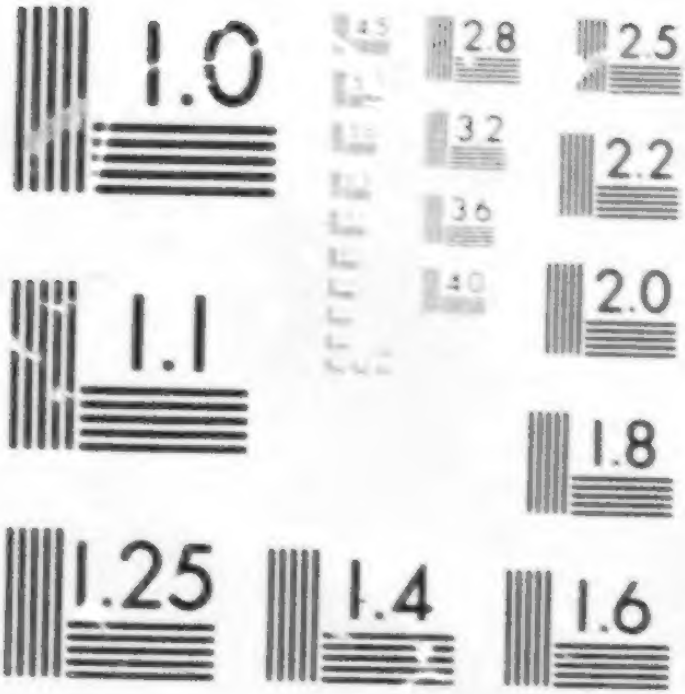
7. Evaluation of technical equipment and personnel involved in cablecasting is another area of possible study.

8. A survey of salaries within the cable TV industry should be undertaken.

9. Study to pinpoint parameters that account for widely varying experiences in cable systems making a profit with cablecasting and those not making a profit should be undertaken.

10. Demographic study of subscribers and their utilization of cable would be beneficial.

11. A correlation of educational level and job advancement is desirable.



MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS 1963 A

Results of Bids - May 1965

Company	To City	Service C
United Video Systems, Inc. Kansas City, Mo.	5% up to 2,999 subscribers 5.25% " 3,999 " 5.50% of 4,000 + more "	Not to exc $5.50 per mo plus 50¢ each
Total Television of Hedalia, Inc Ysmore Company P.O. Box 1334, Okla. City Okla.	5½%, minimum $100.00 per month 6% when subscribers are in excess of 5,000.	$4.75 - additional outle additional com
Hedalia Cable T.V, Inc Cable T-V Construction, Inc Larry D. Hudson, President, Iola, Kansas	10% Guarantee of $5,000.00 per year	$4.50
Meredith - Avco, Inc. % KCMO Broadcasting Division Kansas City, Mo.	5%	$4.95 additional outle
Commonwealth Hedalia C.A.T.V, Inc. Commonwealth Theatre Inc.	5% (plus Ad Valorem taxes, County + School Taxes)	$4.95 with no than 2 sets A third set additionals @ $

Installation Charge	Special Information
45 day free period. $7.50 after 2,000 — no charge	Capable of 12 channels of television and 1 channels of FM (4 to start with) Emergency alarm system for use on sound of all channels Tower 500 to 600 foot
None	Emergency alarm system for use on sound of all channels Subsidiary Channel #19 in K.C.; FM radio
None	12 channel operation, microwave service when available Ten year "franchise" licence 11 stations of Grade A quality; all FM Radio stations in area will be provided. Channel #7 for public service — FM music when not in use.
$10.00 initial installation plus $5.00 each additional connection at one location	12 Channel capacity Channels #3 thru #10 in Springfield + #2 in St. Joseph may require microwave assistance if tall tower exception is met with quality standards. Distribution system by S-W Bell Telephone
30 day free period maximum of $10.00 second connection $7.50	Channels #3 thru #10 Springfield not included 12 Channel capacity 400 foot tower — Microwave when available

APPENDIX B

Summary of Council Member Responses

1. Quality of Service: 9 Resporses

   6 - Good
   1 - Marvelous
   2 - Poor

2. Relationship Between City Council and Cablevision: 5 Responses

   1 - Not fully cooperative, especially on finances
   4 - Good, with few problems

3. Other Services That Could Be Provided: 9 Responses

   4 - Need more local programming
   1 - Show sports and movies
   4 - Don't know of any other services

4. Cablecasting: 8 Responses

   1 - Good idea
   1 - No talent or equipment, so it's no good
   4 - Never watch it
   1 - It failed because of finances
   1 - It failed because not enough were watching

5. Future of Cable TV in Sedalia: 6 Responses

   2 - Good
   1 - It depends
   1 - It's O.K. with me
   1 - Will be somebody, maybe not Cablevision
   1 - Cable must have a free hand

6. Evaluations of Cablevision Managers

   4 - Knew Mr. Beatty
   7 - Knew Mr. Adkisson
  11 - Knew Mr. Harrison
  11 - Rated Mr. Harrison more accessible and cooperative

7. 1971 Rate Request: 8 Responses

   1 - 1971 presentation was offensive
   1 - Impressed by presentation
   1 - Presentation was the run around
   1 - Presentation was slick
   4 - They deserved the rate increase

8. 1975 Franchise: 4 Responses

   2 - Franchise depends upon the audit
   1 - It will simplify future rate requests
   1 - It will include criteria for rate approvals

9. 1975 Rate Request: 9 Responses

   9 - Time was poor to ask for more

10. Regulation of Cable TV: 3 Responses

    2 - Treat it as a utility
    1 - Let the federal or state government do it. Council doesn't have expertise to regulate.

11. Failures of Cable TV in Sedalia: 8 Responses

    2 - There are no failures
    3 - Poor service
    3 - Poor public relations with the City Council

12. Successes of Cable TV in Sedalia: 11 Responses

    11 - Improved reception and increased number of stations that can be received

APPENDIX C

Financial Analysis of Cablevision, Inc.
of Sedalia, Missouri

by Stephen L. Lamkin

An analysis of the financial condition of Cablevision in Sedalia, Missouri, a subsidiary of United Cable Television of Tulsa, Oklahoma, was undertaken to determine the effectiveness of operations. All data which is presented has been adjusted by a factor known only to the analyst to protect the confidentiality of the information. Since the adjustment factor was applied to all financial data there will be no effect on the results.

The Statement of Income

Financial data was available only for Fiscal Years 1970 through 1975, the time frame that LVO Cable, later UCTV, had owned Cablevision in Sedalia. The most noticeable figures from the statement of income was that the Net Income has changed from a profit of $30,198 to a loss of $41,116 during the five years from 1970 to 1974. This net change of $71,314 has had a drastic effect on other areas of the financial structure. Looking at Figure 1, this change has resulted in as much of a loss per dollar of revenue in 1974 as a profit per dollar of revenue in 1970. The trend indicates this loss rate will continue unless there is some method of increasing the revenue without increasing the operating expenses. The new rate approved by the Sedalia City Council of $6.15 per month does not appear to generate

sufficient revenue to produce a reasonable rate of return, reasonable being a rate of 7 to 10 percent.

An examination of the operating expenses provides some insight into the major cost functions. General and Administrative Expenses have more than doubled in the last six years, reflecting the increases in salaries, taxes, parent corporate overhead, and miscellaneous expenses. Figure 2 shows a comparison of the different costs of operation with the total operating expenses. The General and Administrative Expenses of Cablevision have averaged 42 percent of the total expenses over the last six years. This was well less than the 80 percent suggested by Baer (1973, p. 187) and the 85 percent suggested by Comanor and Mitchell (1971, p. 173). This large disparity suggests that expenses other than General and Administrative are using a disproportionate share of the Operating Expenses. An established cable system's General and Administrative expenses usually comprise most of the operating expenses.

The Service Cost has averaged over 30 percent of the total operating expenses, which was above the average estimated by Baer (1973, p. 187) and Comanor and Mitchell (1971, p. 173) of 10 percent. Microwave cost was the other major expense which was encountered. Cablevision's microwave cost increased from 1 percent to 11 percent during the last six years. This cost was not considered by Baer (1973) or Comanor and Mitchell (1971) in their studies although the cost appears to be reasonable.

Revenue has increased by 62 percent during the last six years. Figure 3 shows a comparison of the rates of increases of revenue and

operating expenses. The slopes indicate that revenue should continue to increase while operating expenses should level off somewhat. It appears that at some time in the future Cablevision should be able to earn a profit once again.

The ratio of operating expenses to revenue has increased steadily in the last six years, from 58 percent to 87 percent in 1974. It did decrease to 75 percent in 1975. Such a ratio is too high. "A system whose steady-state operating expenses run above 65 percent of revenues is probably in financial trouble." (Baer, 1973, p.) This indicates that little income is left over to pay for interest expenses, depreciation, and taxes. The trend indicates that the financial condition of Cablevision is worsening. The Income Taxes shown are not actually those paid by Cablevision. Those shown are their pro-rated share of the consolidated income taxes paid by the parent corporation. The pro-rated share of corporate overhead, based upon the number of subscribers, is included in General and Administrative Expenses.

Balance Sheet

Cablevision had a very large cash balance carried in the asset part of the Balance Sheet. The ratio of Sales to Cash balance has been steadily decreasing for the last five years. The wisdom of maintaining such a large balance is questionable because the money could be invested to draw interest or dividends and aid Cablevision's revenue. Baer (1973) indicates that normally the Sales/Cash ratio should be 15:1 (p. 191), whereas Comanor and Mitchell (1971) suggest a ratio of 20:1 (p. 189).

The Property, Plant, and Equipment account appears reasonable with the normal increases in capacity being offset by accumulated depreciation. However, the overall decrease implies that equipment is depreciating faster than it is being replaced. Thus the equipment is in a steady-state rather than being modernized and replaced.

It is interesting to note that the account Excess Cost of System at Acquisition Over Net Tangible Assets did not appear on the sheet until 1973, although the system was acquired in 1969. The only suggested reason for this addition is the desire to adhere to Accounting Principles Board Opinion No. 17 which prohibits a lump sum write off, and requires amortization of all or part of the excess cost. However, Cablevision does not appear to be amortizing any of the excess cost, instead carrying it as a lump sum on the books.

Two liabilities are particularly noticeable and deserving of comment. The Accounts Payable-Customers was quite large, being 70 percent of the Current Assets. One possible use of this account would be a reserve for maintenance and service instead of using it for subscriber prepayments, another account which already exists. However, a reserve should be charged against operating expenses. The other large liability of note is the Accounts Payable-Affiliates. Mr. Wooldridge, who conducted the survey audit for the Sedalia City Council, indicated that this account was probably used to cover a short-term loan from the parent corporation. However, the use of a short-term account to cover what appears to be a long-term loan violates all proper accounting principles. The sudden jump of a current liability of twice a year's revenue is strange and without an acceptable explanation.

The decreasing Retained Earnings shows the net effect of Cablevision's having operated with losses during the past nine years. It indicates that in the first eight years of operation, Cablevision had losses totalling $121,000. This large loss shows the deteriorating financial condition of Cablevision.

Ratio Analysis

A ratio analysis was undertaken to get a better idea of the financial structure, condition, and use of the different funds. The analysis consisted of determining ratios of different items from the income statement and the balance sheet, and then examining these ratios for trends both within the firm and within the industry.

1. Sales/Cash: 1972 to 1974 ratios indicate the holding of idle and unnecessary cash balances, thus yielding no return on the money. A better policy would be to invest unnecessary cash or pay off short-term debts.

2. Maintenance Cost/Sales: Increasingly, Cablevision is spending more each year, except in 1973, to maintain the system. Comanor and Mitchell (1971, p. 173) estimate that a mature cable TV system, similar in size to Sedalia, should spend approximately 6 percent of their sales for system maintenance, as opposed to the 20 to 25 percent of sales that Cablevision is spending. This indicates that either the plant and equipment of Cablevision is outdated and requires abnormal amounts of maintenance, or that revenue is insufficient to support the required maintenance.

3. Sales/Working Capital: This ratio is particularly poor because of the negative values in 1973 and 1974. This indicates that the liquidity of the firm is doubtful.

4. Current Ratio: The current ratio also shows the problem of short-term liquidity that is evidenced by other ratios. The 1974 ratio of 0.25 indicates that current assets only cover 25 percent of the current debts. Demand for payment by creditors would force Cablevision into bankruptcy. In addition, the effect of classifying what is apparently a long-term liability (Accounts Payable--Affiliates) as a short-term liability grossly exaggerates the picture. If this account were not included, the current ratio for 1974 would be a more tolerable 1.12.

5. Receivables Turnover and Collection Period: The two ratios indicate how quickly customers pay their bills. The trend has been toward a longer collection period, indicating either poor collection efforts on the part of Cablevision, or habitually tardy or financially distressed customers. If the latter is true, Cablevision is justified in tightening up its collection policy. The collection period is twice that of the industry, and increasing much faster.

Figure 5, which is a plot of the two different rates of return, shows the effects of the losses during 1973 and 1974 on the rates of return. The effect of such losses show that the rate of return has dropped drastically, whether based on total assets or equity, both acceptable standards within the financial field. Most investors and prospective buyers would be interested in a trend line such as this to determine the profitability of the firm.

Figure 6 looks at the utilization of different assets in the generation of revenue. Here the two most disturbing ratios are Cash and Working Capital. The sharp decline in Sales/Working Capital again highlights the worsening liquidity position of Cablevision. The

negative ratios for 1973 and 1974 show the effect of losses of Working Capital as measured against Sales. If the strange use of Accounts Payable--Affiliates were excluded from the Current Liabilities entirely, the ratios would correspond closer to industry figures. The ratio for Total Assets is disturbing because the large increase in Total Assets for 1973 was not offset by a corresponding increase in Sales. This was caused by the addition of the account Excess Cost of System at Acquisition Over Net Tangible Assets. Generally the trend indicates that the assets are not being properly utilized.

Figure 7 plots three of the ratios which deal with the financial structure of Cablevision. The high Current Liability/Stockholder Equity ratio indicates that Cablevision would encounter severe financial problems if the firm were required to pay its current bills. If the Stockholder Equity should have to be liquidated to pay current liabilities, Cablevision would be unable to cover those debts. This higher trend, along with the poor Current Ratio suggests that recall of current debts would necessitate the total liquidation of Cablevision's receivables, property, equipment, stockholder equity and all, just to satisfy the current liabilities. The stockholders would literally loose their shirts.

The Current Liabilities/Total Assets ratio in Figure 7 also shows some of the problems of Cablevision. Their high ratio is indicative of a large manufacturing firm which orders a lot of raw materials. It is definitely not indicative of a service-oriented firm such as Cablevision.

Conclusions

The financial picture for Cablevision is not all bleak, although there is considerable room for improvement. Revenue appears to be increasing steadily although it is expected to level off as maximum penetration of the market is reached. The rate of increase of the operating expenses is slowing down to more manageable levels, and there has been a slow improvement of equipment and plant.

There is, however, much in Cablevision's finances to be concerned about. The Service Costs as a percentage of Total Operating Expenses is considerably above that for most cable systems of comparable development. The figures for Cablevision are two times greater than would be expected. The ratio of Operating Expenses to Revenue is also too great. Cable systems whose ratio is over 70 percent are considered to be in serious financial difficulty with bankruptcy or financial collapse being near. Cablevision's ratio has been steadily climbing, indicating the inability of management to control operating expenses. Another of Cablevision's problems is its large Current Liability account. Although two-third of this appears to be the result of a loan not described as such, Cablevision still has a Current Ratio which is just barely 1:1. The losses experienced by Cablevision are cause for concern, not so much because they are losses but because the rate of loss was increasing each year. Over the last six years, these losses have decreased the equity base drastically. Although Cablevision made a small profit in 1975, it may be only a pause in the overall decline.

The prognosis for Cablevision is guarded at this time. The fact that the operating costs are 50 to 200 percent above tolerable

levels indicates that the plant and equipment may have exceeded their useful life--requiring replacement at a large expense. Even with the increased revenue, the losses will continue unless operating costs can be cut sharply. If the service costs continue to rise as they have been, the firm could have serious trouble maintaining a competitive price structure. Conversely, the cost of replacing equipment could be prohibitive unless subscriber rates were raised considerably. Management appears to be gaining better control of the General and Administrative Expenses by holding them to modest increases.

The biggest problem that management faces is better use of its assets. They are maintaining a very large cash balance, many times larger than needed for normal operation of the business. The extra cash is essentially idle money which could be put to better use, earning profit for Cablevision.

Another shortcoming of management deals with the Accounts Payable. The Accounts Payable--Customer account has grown from zero to $130,000 in just three years, although its purpose is uncertain at this time. The Accounts Payable--Affiliates is another unusual account because it increased by $600,000 in 1973. If it is a short-term loan, as suggested by the auditor for the Sedalia City Council, it is very poor management that would permit such a large increase in a debt. If it is in reality a long-term loan then it should be shown as such.

Recommendations

1. Decrease Service Costs. This can be accomplished by installing new and/or better equipment which would not require as much maintenance as the current equipment. Other considerations include hiring better

qualified personnel to eliminate repeat service for inadequate or ineffective maintenance. Controls could possibly be placed on trouble calls to reduce many of the unnecessary calls due to subscriber neglect.

2. Increase revenue. Revenue could be increased by any one or a combination of several methods. The subscriber monthly fee should be increased to permit an increase in the basic revenue source. An increase to $6.90 does not appear to be unreasonable at this time. Another method of improving the revenue would be to increase the installation and disconnect charges. The additional charges would more fully cover the cost of installing outlets in households. The decrease in the franchise fee by the Sedalia City Council will help with finances, although even the three percent fee is considered by some as too high. They recommend a fee just large enough to cover the expenses of administering the ordinance.

3. Maintain better control of General and Administrative Expenses. There are a number of areas under the heading of General and Administrative Expenses which need improvement. Although inflation and growth are the cause of some of the increase, some of the expense categories have grown too much in the last six years. Closer attention to expenses should improve the situation.

4. Better utilization of assets. One of the most important assets, Cash, is not being properly managed. Cablevision management should retain only enough cash to conduct normal operations plus maintain a reserve. The rest of the cash should be invested in marketable securities, certificates of deposit, etc. which can earn revenue for

the firm. With cash holdings for a typical business being 2 to 5 percent of gross receipts, it can be seen that Cablevision is maintaining too large a cash balance. Assuming a 5 percent cash balance for 1974, Cablevision would have had over $125,000 available for investment. Using certificates of deposit at 6 percent interest, this would have generated another $7,500 in income for Cablevision in 1974. An investment program could have increased this to $10,000 - $12,000 without undue risk.

At the same time, a more concerted effort is needed to control the amount of Accounts Payable. The Accounts Payable--Customers is increasing by $50,000 per year although the use of this account is unknown at this time. The Accounts Payable--Affiliates also needs better control because of the tremendous growth of this account. If it is actually a loan from the parent corporation, then ... Balance Sheet should show it as such, not hidden under Accounts Payable. If it is not a loan, then drastic steps must be taken to control and reduce the size of this account. Moreover, the account should have a better accounting treatment so that it will conform to proper accounting principles.

Summary

Cablevision must undertake an active program to better utilize their assets and control expenses. Unless action is taken to slow the trend of increasing operating expenses, the losses will continue, even with the current rate increase to $6.15 per month. The actions may be drastic, but are necessary if Cablevision expects to make a reasonable rate of return. A possible recourse would be for UCTV to sell

Cablevision to an organization willing to modernize the system and apply proper financial management techniques.

As an interesting sidelight, UCTV estimates that for Fiscal Year 1976 Cablevision would earn $135,000 before taxes. This estimate did not allow for any system modernization, which is badly needed.

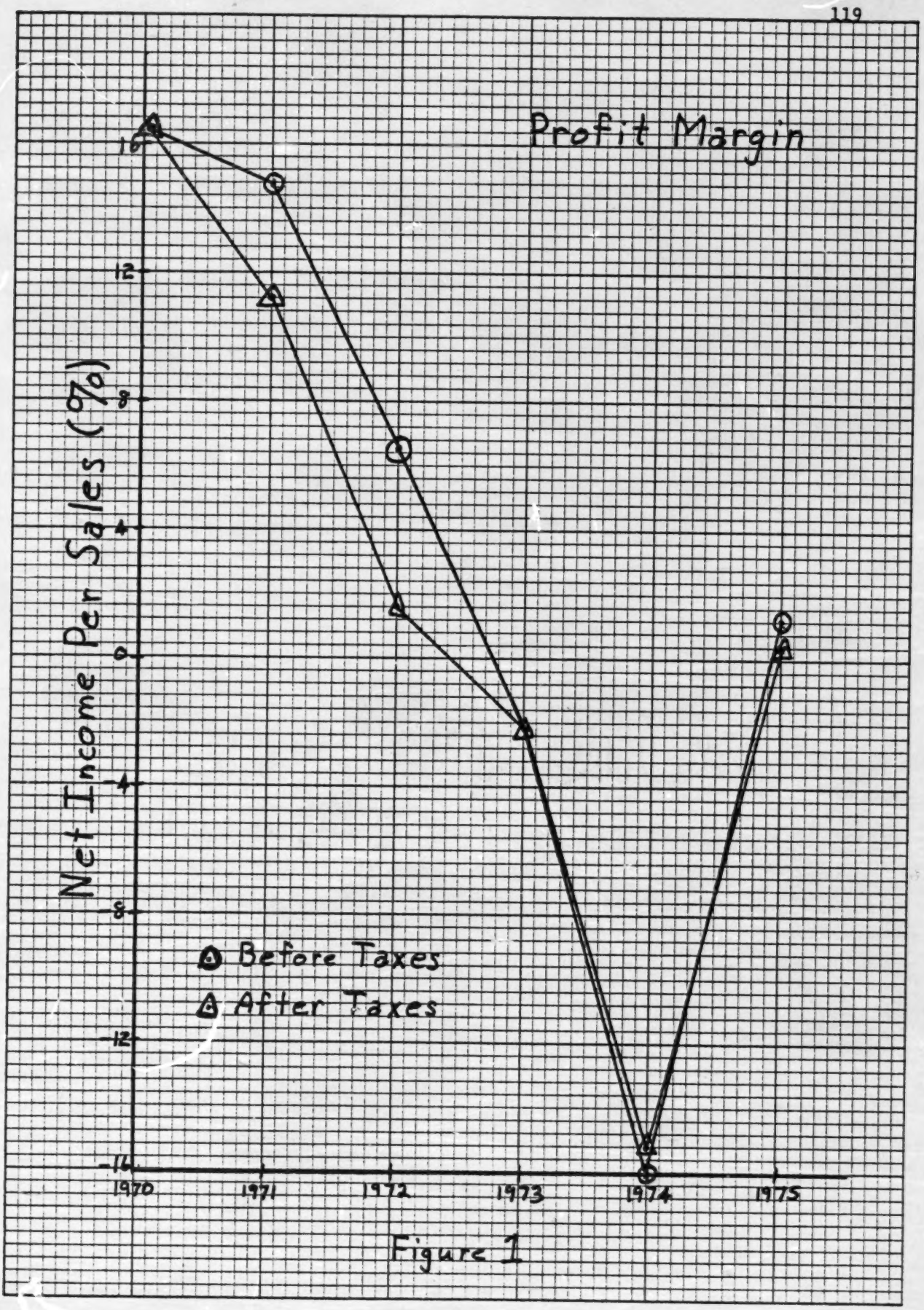


Figure 1

10 X 10 TO THE INCH 2-2280

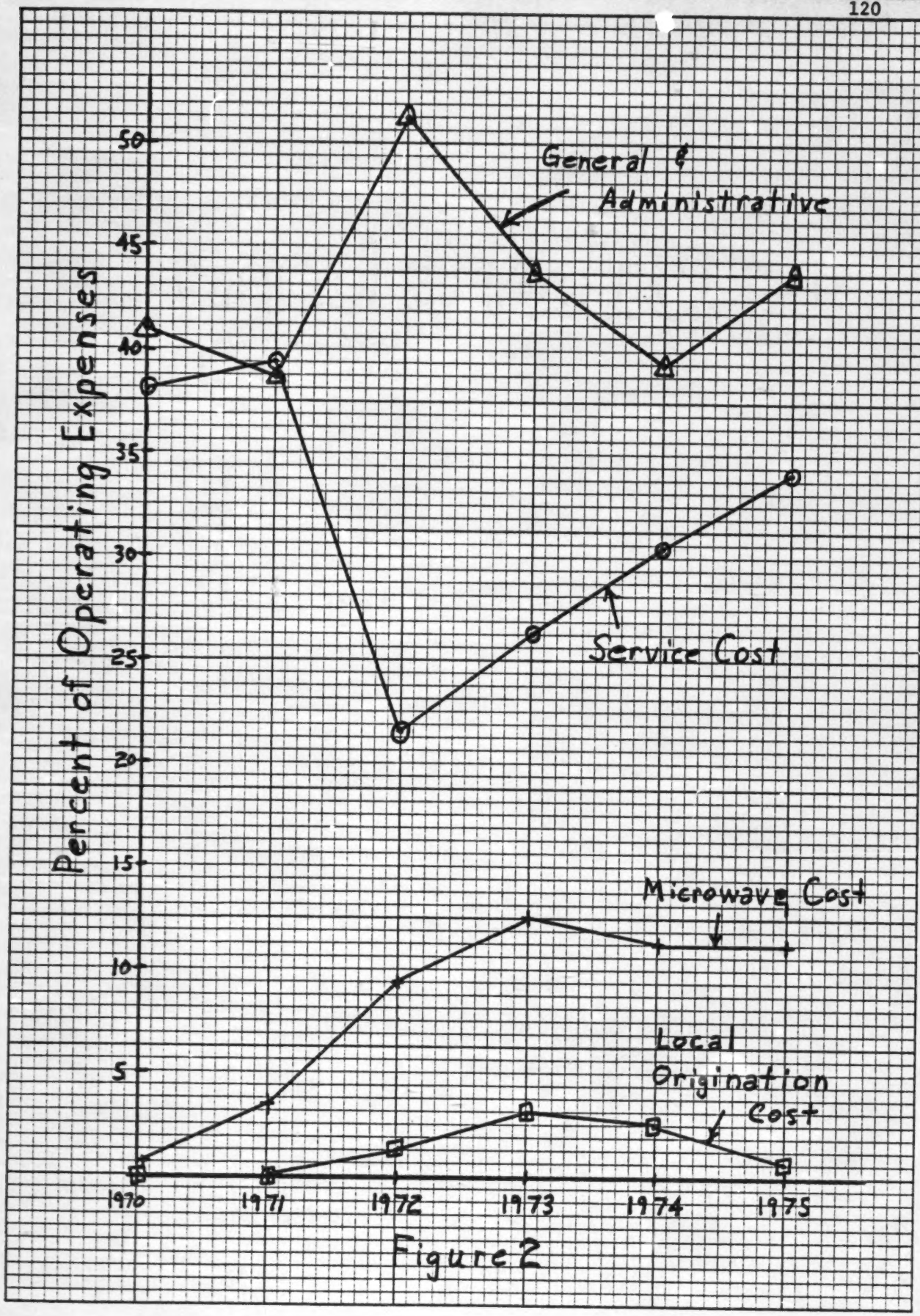


Figure 2

10 X 10 TO THE INCH Z-2280

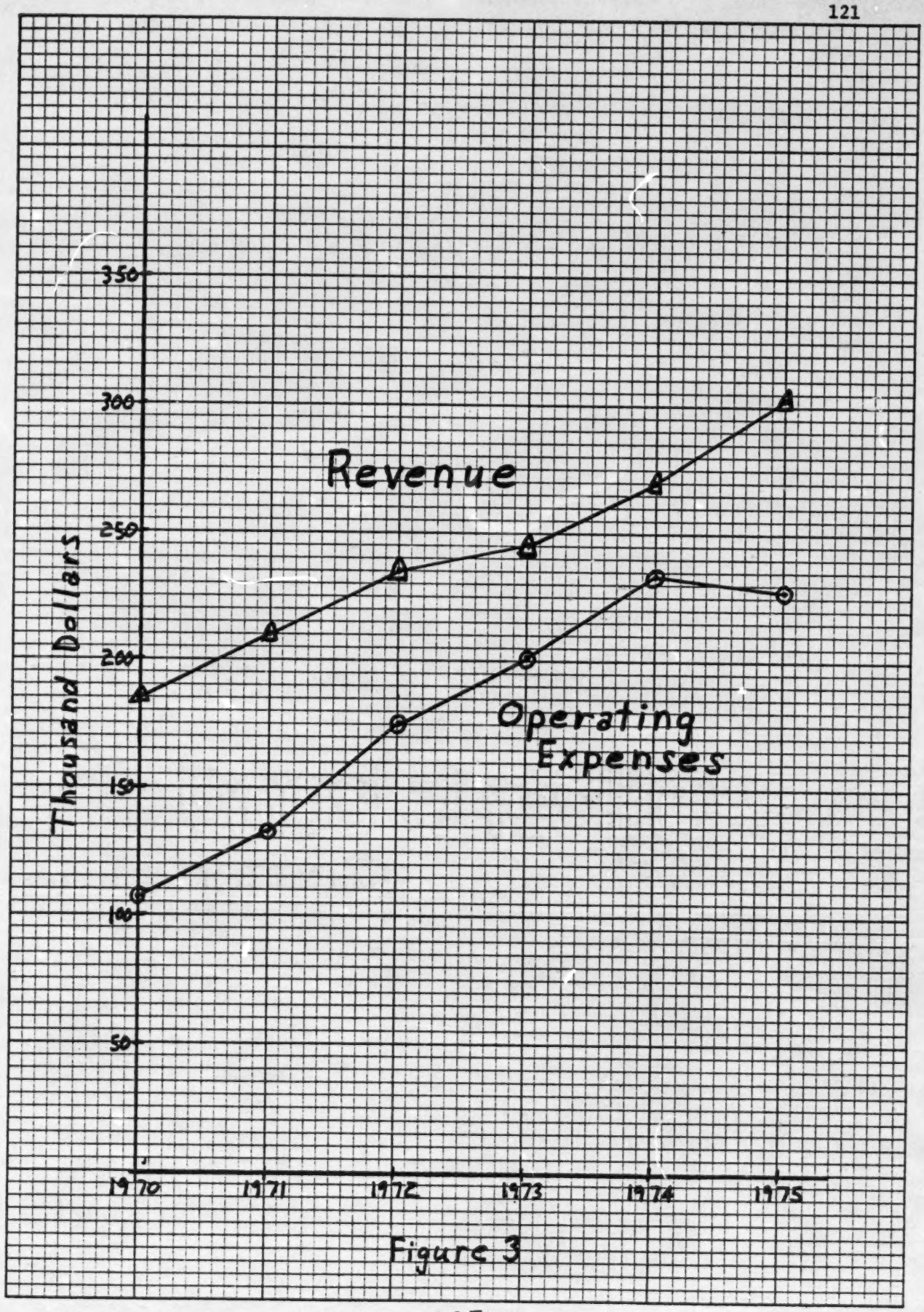


Figure 3

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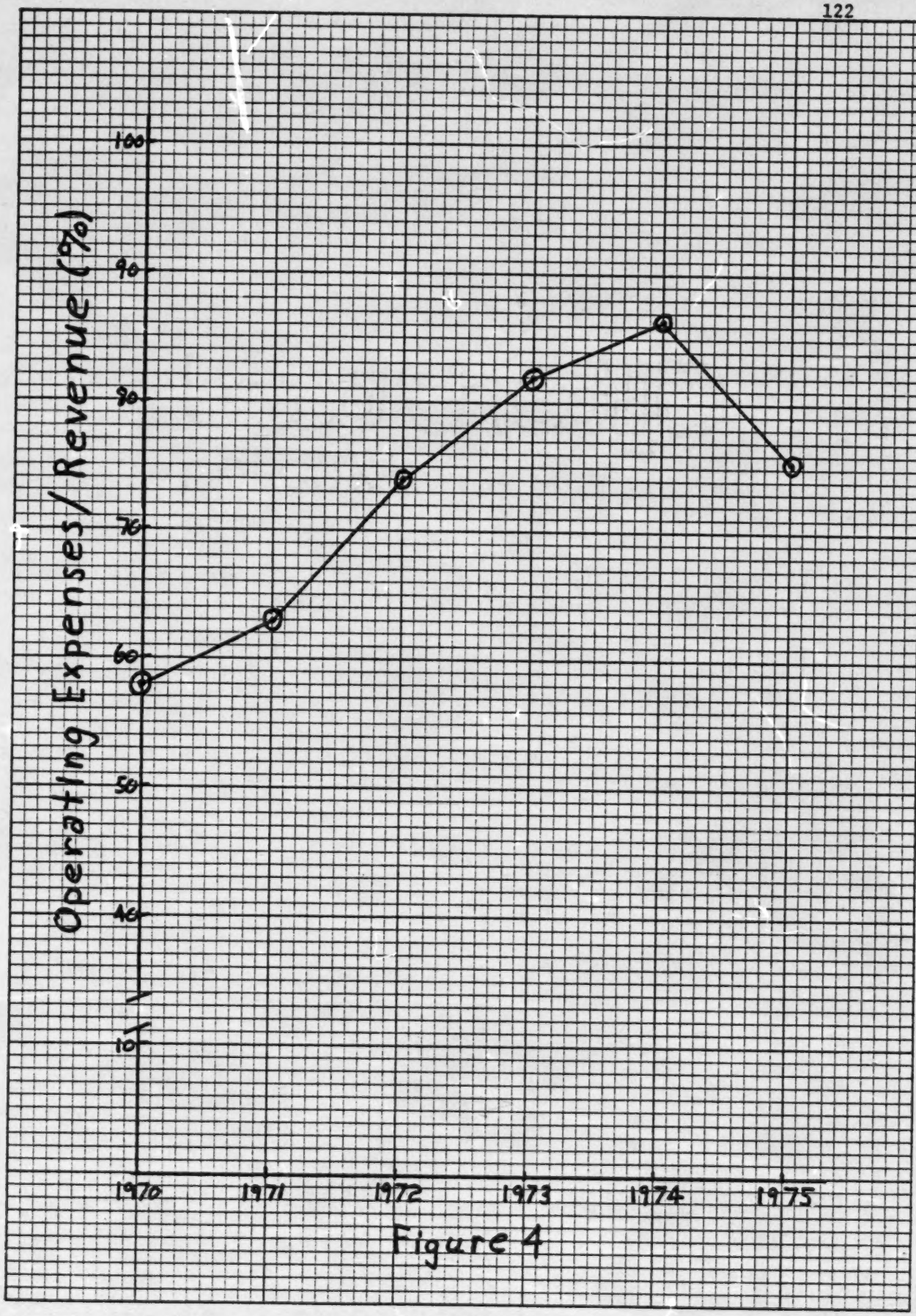

Figure 4

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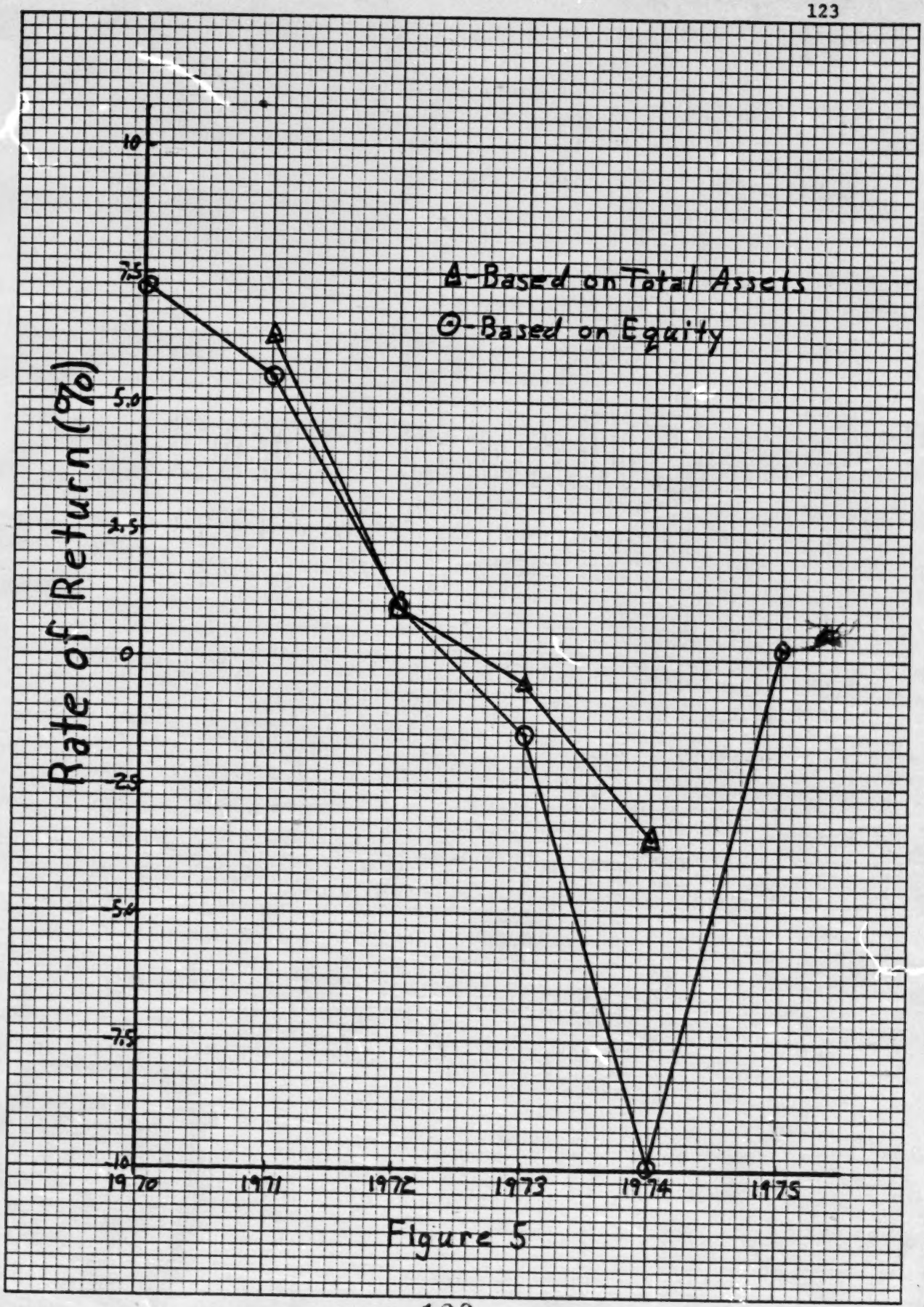

Figure 5

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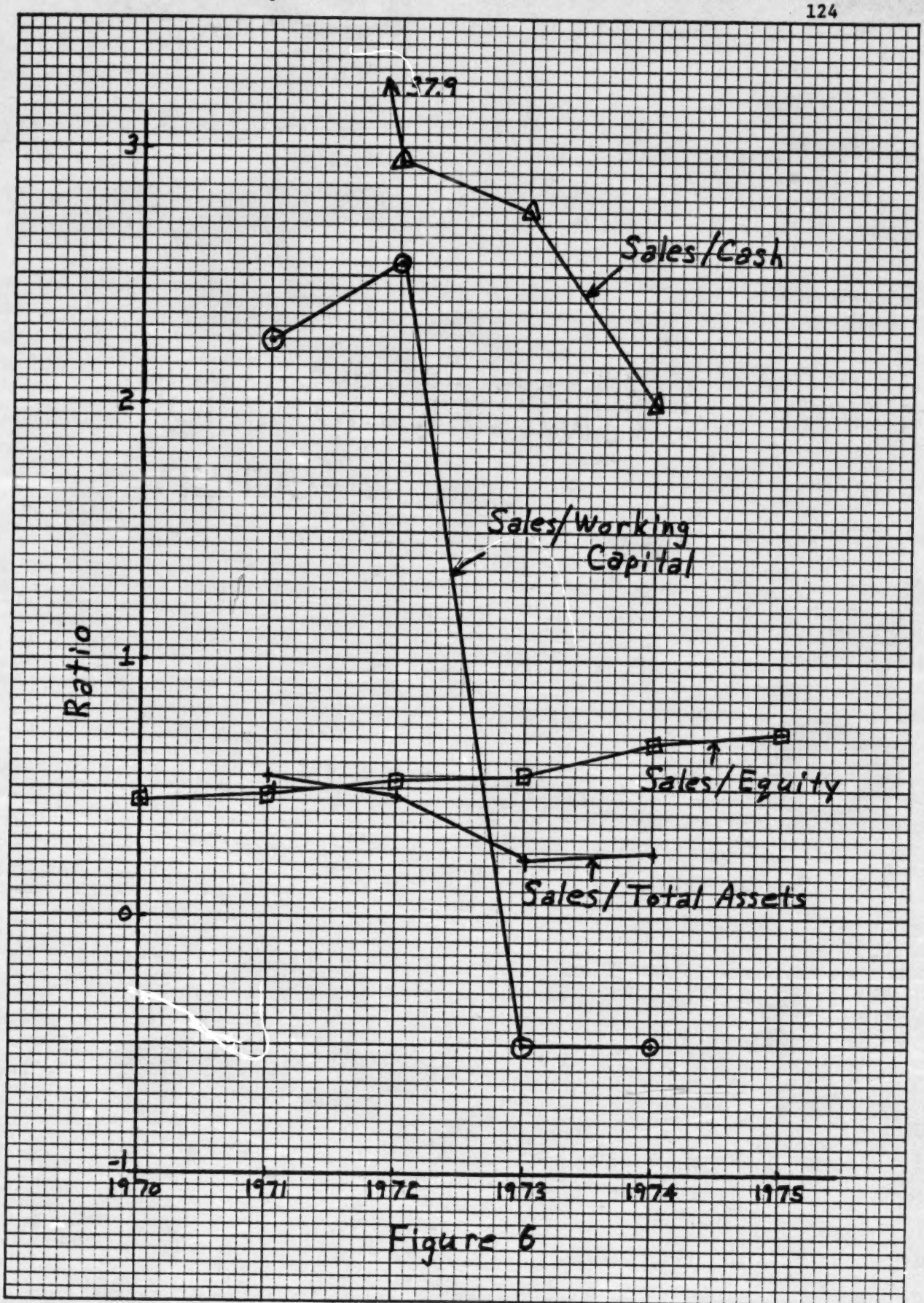

Figure 6

10 X 10 TO THE INCH 2-2280

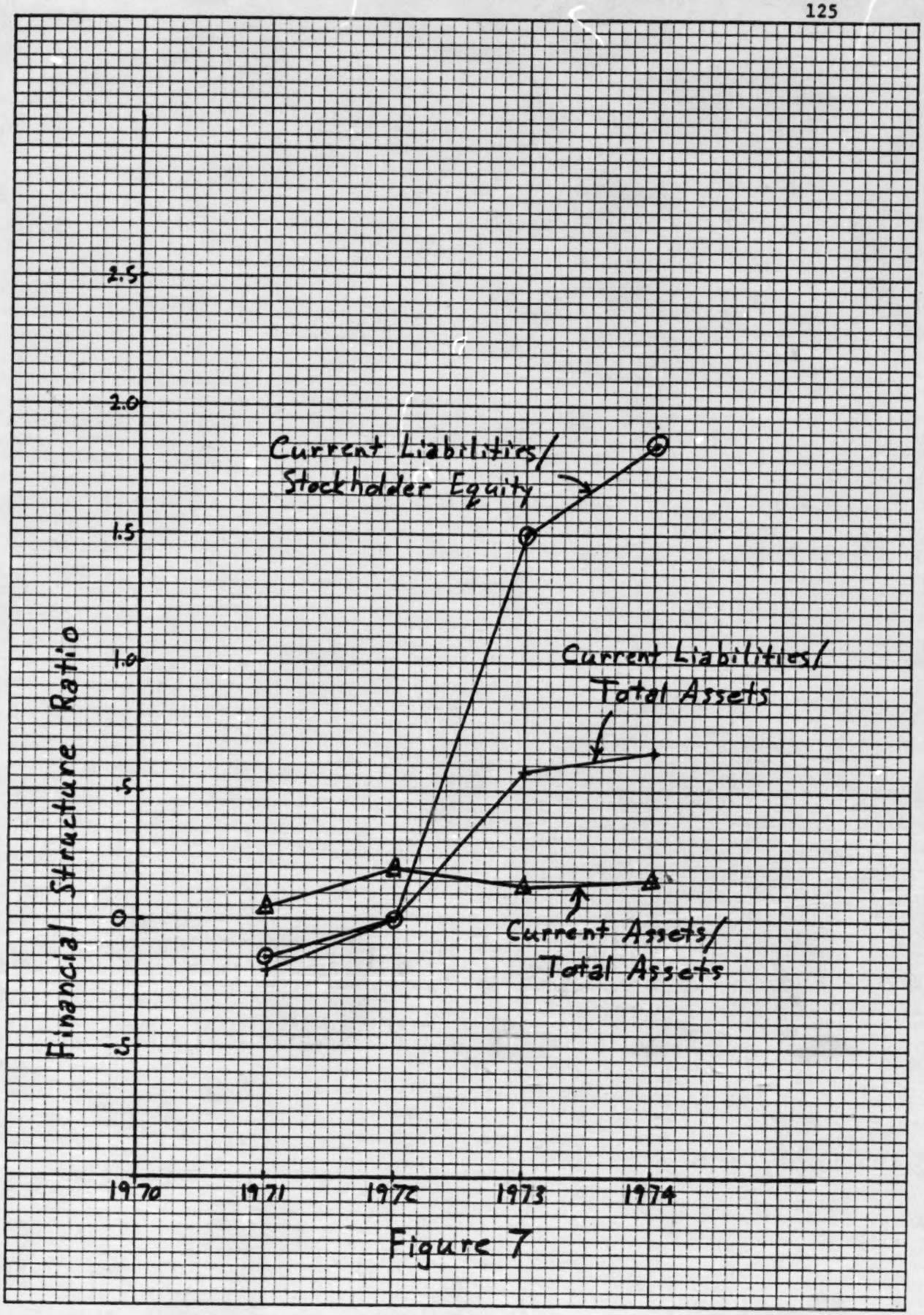

Figure 7

10 X 10 TO THE INCH Z-2280

Statement of Income
Cablevision, Inc.
Fiscal Year Ends May 31

	1970	1971	1972	1973	1974	1975
Revenue						
Service	185,894	209,452	232,884	237,795	263,138	293,583
Other	0	1,936	1,841	8,272	6,239	8,418
Total Revenue	185,894	211,388	234,725	246,067	269,377	302,001
Operating Expenses						
Service Costs	41,216	52,712	37,462	53,011	71,377	77,403
Microwave Costs	841	4,542	16,481	25,054	25,044	24,982
Local Origination Costs	0	0	2,124	6,332	6,248	1,187
Advertising	3,365	3,388	7,133	7,050	13,115	2,402
General & Administrative	44,581	51,787	88,387	87,433	91,837	99,230
Franchise Fee	18,589	20,654	22,614	22,566	25,556	22,578
Total Operating Expenses	108,597	133,083	174,201	201,446	233,177	227,782
Interest Expenses	0	0	0	0	15,745	16,83[illegible]
Depreciation & Amortization	47,104	47,712	45,172	51,073	64,613	53,425
Net Income Before Taxes	30,198	30,593	15,352	(6,452)	(44,158)	3,963
Income Taxes	0	7,044	11,066	0	(3,042)	2,147
Net Earnings	30,198	23,549	4,286	(6,452)	(41,116)	1,816

Balance Sheet
Cablevision, Inc.
Fiscal Year Ends May 31

	1971	1972	1973	1974
Current Assets				
Cash	5,579	79,652	89,588	134,370
Receivables				
Trade	(1,282)	6,534	7,278	9,834
Other	227	119	109	183
City of Sedalia	0	3,425	8,099	13,072
Income Taxes	0	5,078	20,276	21,675
Less: Allowance for Bad Debts	(1,060)	3,969	3,601	1,199
Net Receivables	(2,115)	11,187	32,161	43,565
Prepaid Expenses	15,850	3,535	6,852	6,327
Total Current Assets	19,314	94,374	128,601	184,262
Property, Plant & Equipment				
Distribution Systems	502,352	530,421	557,131	592,225
Transportation Equipment	11,633	11,633	19,249	24,358
Other	7,938	11,158	13,494	14,109
	521,923	553,212	589,874	630,692
Less: Accumulated Depreciation	172,648	215,434	264,150	321,643
Net Plant & Equipment	349,275	337,778	325,724	309,049
Excess Cost of System at Acquisition Over Net Tangible Assets	0	0	633,632	633,632
Deferred Charges				
Subscriber Acquisition Costs	0	9,659	7,393	1,655
Other	13,299	15,233	16,484	9,463
Total Deferred Charges	13,299	24,892	23,877	11,118
Total Assets	381,888	457,044	1,111,834	1,138,061

Balance Sheet
Cablevision, Inc.
Fiscal Year Ends May 31

	1971	1972	9173	1974
Current Liabilities				
Accounts Payable				
Customers	0	34,252	80,998	130,724
Trade	7,199	4,562	4,916	4,148
Affiliates	(89,402)	(70,610)	519,092	574,992
Subscriber Prepayments	132	4,237	10,612	12,718
Accrued Liabilities	12,378	14,873	15,864	17,036
Accrued Income Taxes	6,246	14,938	14,938	0
Total Current Liabilities	(63,447)	2,252	646,420	739,618
Deferred Income Taxes	675	5,842	22,916	(2,939)
Stockholder's Equity				
Common Stock	28,851	28,851	28,851	28,851
Additional Paid-in Capital	493,604	493,604	493,604	493,604
Retained Earnings	(77,795)	(73,505)	(79,957)	(121,073)
	444,660	448,950	442,498	401,382
Total Liabilities & Equity	381,888	457,044	1,111,834	1,138,061

Ratio Analysis
Cablevision, Inc.

	1970	1971	1972	1973	1974	1975
Short-Term						
Quick Ratio	-	-0.046	40.3	0.19	0.24	-
Current Ratio	-	-0.260	41.9	0.20	0.25	-
Receivables Turnover(Times)	-	-99.9	21.0	7.65	6.18	-
Collection Period(Days)	-	-3.60	17.1	47.1	58.3	-
Operations						
Operating Expenses/Sales(%)	58.4	63.0	74.2	81.9	86.6	75.4
Net Income/Sales(%)	16.2	11.1	1.83	-2.62	-15.3	0.6
Net Income Before Taxes/Sales(%)	16.2	14.5	6.54	-2.62	-16.4	1.31
Returns						
Return on Equity(%)	7.17	5.30	0.95	-1.46	-10.2	0.53
Return on Total Assets(%)	-	6.17	0.94	-0.58	-3.61	-

Ratio Analysis
Cablevision, Inc.

	1970	1971	1972	1973	1974	1975
Asset Utilization						
Sales/Cash	-	37.9	2.95	2.75	2.00	-
Sales/Working Capital	-	2.23	2.55	-0.48	-0.49	-
Sales/Equity	0.44	0.48	0.52	0.56	0.67	0.84
Sales/Total Assets	-	0.55	0.51	0.22	0.24	-
Financial Structure						
Total Debt/Equity	-	-0.17	0.02	1.51	1.84	-
Current Liabilities/Equity	-	-0.20	0.005	1.46	1.84	-
Total Debt/Total Assets	-	-0.20	0.18	0.60	0.65	-
Current Liabilities/Total Assets	-	-0.20	0.005	0.58	0.65	-
Net Plant/Equity	-	0.79	0.75	0.74	0.77	-

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